Schedule 3.1.c.
Litigation, Arbitration, and Governmental Proceedings

When there was no response to attempts to negotiate the situation, Robert S. Custer and PVS Chemicals, Inc. of Detroit, Michigan filed suit against Maurice and Sylvia Samson on April 30, 1990. The suit resulted from the unexpected discovery of areas of contamination around and near the tank farm on property owned by Maurice Samson and rented to Samson Chemical in Gardena, CA. As a result of investigations it was learned that there was intentional spillage and disposal of chemicals on the site during the period when Maurice Samson owned Samson Chemical. The suit alleges security law violations pursuant to Section 10 of the '34 Act and Rule 10b-5; CCC Section 25401, intentional misrepresentation, negligent misrepresentation, negligence and nuisance. The suit requests award of damages and costs, or, in the alternative, rescission of the sale of Securities from the Samsons to Custer on 12/31/86.

The findings of the core drilling were supplied to L.A. County and site remediation will be required. The tank farm was installed in 1978 and operated by Maurice Samson until 12/31/86. Samson Chemical was purchased from Samson on 12/31/86 and continued to operate on that site until 6/30/90 when the Samson Chemical Co. operation was moved to Maywood, CA because no agreement was reached with Maurice Samson concerning site cleanup. It is unknown to what degree L.A. County will look to Samson Chemical for cleanup of the site.

The dispute is being submitted to arbitration and the arbitration hearing is tentatively scheduled for August, 1991.

In 1990, Samson Chemical filed a law suit against a former salesman, Jeffrey Bassman, alleging theft of trade secrets, violation of trust, etc. It is not believed that this suit will have a significant impact on the earnings of Samson Chemical Co.

Anclam

SFS
6-26-90

Tim Mahoney, CPA
213-693-6314
John Locke

A) SCS

1) Initial core: 9 cores 60-days ago
No remedial action - apparent

Check with
Ken La Conde Run-off - surface contamination - minor

FY 90 - Cost $2,000 (Reserved) for SCC

2) Report to Water Resources Board - 60 days.
Certain compliance to 1998
Replace 1998. Tanks. Will it be enforced
Test once / Yr. - Test tanks
Inventory - Periodic - Once a week for leaks
Locke is licensed
will not have to install expensive monitors on ea. tank

B) Put up Whse @ SFS $3,500/m - savings
→ Not renting whse downtown $5,500/mo.

C) Litigation
1) Hurst Graphics Sold in 1976
Cancer death - Wrongful death included. Out-of-court
$7,500 - $10,000 in legal fees
Taper suit
$25,000 deduct E+O insurance

BR001601

②

Soccer Western Fed-Court

2) U.P. Solvent Plant (Blt 1960)
- Rent '72-'78 - Sublease action
Cross-complaint v. OXY Pete
Travel & Travelers - non-deductible
Contamination clean-up.
$50,000 legal fees (23% Traveler)
May have to sue Traveler

3) No major litigation otherwise

R) F 90 Operating Results

1) $8.25 mil in sales - get physical numbers
$225 P.T. Loss.

2) Recent by Locke!
Bonus $100,000 - Rey + Locke ($50,000 + $50,000)
Pd 6/1/89 for F89.

G/Share $100,000 o/s [illegible] - [illegible]

Legal Bills $53,600 legal bills - [illegible] paid

SCS - Accrual #/Ek [illegible] $23,000 [illegible]

[illegible] - $38,000 last payment

3) Chevron - El Segundo - Out-of-product
Fire in Jan 90 - 4 mo shutdown for chemical starter
Back in June 90

\$200,000 def. sales - Grow Group
300,000 - \$400,000 total loss in sales in '90

E) Liquidation Value
Rec - 95% - mostly good A/cs
Inv - Commodities - sell at cost - 80%

Mon deposits - \$156,000 - \$56,000 profit
may restate

PP&E - well below book - Exh B

F) Conclusions
1. B/S unchanged - liquid no debt
2) Environmental issue not major?
3) Co. unprofitable
4) Property transfer deferral?
5) Locke 64 - more "motivated" - less agitated
6) FMV may be unchanged?
Modify discount?

(4)

G) FY 1991 – Sales = F90 – Show a loss. will take bonus of "profit"

1) Berg + Lock – No Bonus. Now 5/1/96 – May pay directors fee out later

2) Tunnel corner – leasing where packaging new lines – Grow? Growth if any will be from consumers.

3) Industrial – Customer out of state Environmental problems causing L.T. decline.

4) $\boxed{P.V.}$ in gross margins due not sales.
G.M.; 25% on consumer.

5) Terminaling 3¢ gal 4¢/gal for 3rd party. Rent tanks – deliver product

C) ~~NOL carry forward~~
Question for Mahoney
1) Method of paying terminated ESOP parts.
2) How much owed term. participants as of 4/30/90
3) NOL carry-forward.
4) Update facts in F89 report
5) Statement of C.F.

Anaheim Ken La Conale
SCS - Ph: 9/27/90

Environment Update

1. Drilled several dense wells. Found some soil contaminants of solvents at low levels

2 a) Drilled one groundwater well. Found some solvent contaminants in water. Source is probably combination of Anaheim and neighbors like McKesson plant which is a Super Fund site?
b) Levels are probably low enough - won't require expensive treatment
c) Water resources control board may require more water test wells in "worst area". Monitoring, GW well cost $5k - $10k.
d) No major clean-up required at this point

Lee Conde (2)

3. Conclusions

a) "Absolutely" no threat of shut-down
b) will continue to have testing and monitoring costs. May be $20-$25 k in next year.
c) But no major clean-up costs
d) However property transfer will be inhibited by "cloud". Lenders wouldn't finance.

Anchan Tim Mahoney Ph:
9/27/90

1 Statement of C.F.
a) Loans advanced & collected.
Stallion uses Anchan's accounts payable system then reimburses Anchan.
Booked as loans & advances
Also some minor employee advances

2 b) Capital expenditures were for a new truck and misc plant equipment

2. Notes payable are for dial tracks ($50K) and to AVCO to finance insurance prepayments for the year.

3 Administrative salaries $176K(90) v $124K(89)
Locke + Berg took bonuses in May 89

Direct wages up - outside labor down as company hired more permanent employees and used less temp. labor.

4 Estimated taxes - used up tax carry back will have loss carry-forward don't know amount yet.

BR001607

(2)

Mahoney / 2

5 Price Increase - Price Increase 1.7%. Cost increase 0.4%. F89 - 1,703,000 gallons.
F90 1,514,000 gallons.

6 Since Jewett - Anchem has been able to pass through all so price increases.

Menke & Associates, Inc.
Corporate Financial Consultants

Mendham, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

July 16, 1990

Mr. John Locke, President
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Dear John:

I felt our June 26th meeting was very constructive. It appears that the situation at Anchem is stabilizing both operationally and environmentally.

Enclosed is Menke's invoice for the related travel expenses. The airfare, auto and other (meals and SFO parking) are pro rata and the hotel is one-half night.

The special visit field fee will be $250 (one-half our full day rate) and Menke's minimum update fee is now $2,500. Thus, the total professional fees should be no more than $2,750 or about the same as last year when there was no field visit but many extra hours of telephone due diligence. If you question this, please call me.

As soon as I receive your April 1990 accountant's report and other requested data, I will complete the ESOP valuation which this year and in the future will be done by Bramstedt and Associates, Inc. as a subcontractor to Menke.

Best wishes.

Sincerely,

Eric Bramstedt

Eric M. Bramstedt

EMB:ew
enclosure

Menke & Associates, Inc.
Corporate Financial Consultants

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

Livingston, New Jersey

July 16, 1990

Administrative Committee of the
Angeles Chemical Employee Stock Ownership Plan
c/o Angeles Chemical
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

INVOICE

Out-of-pocket expenses for field visit in connection with the ESOP update valuation of Angeles Chemical on June 26, 1990:

Airfare	165.00	
Hotel	50.00	
Car	33.00	
Other	33.90	
Total due		$281.90

Thank you.

EMB:ew

№ 7328

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
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VALUATION
of the
COMMON STOCK
of

ANGELES CHEMICAL CO.

as of
April 30, 1989

Prepared by:
ERIC M. BRAMSTEDT, CFA
September 1989

Menke & Associates, Inc.
Corporate Financial Consultants

Livingston, New Jersey

111 Second Street
San Francisco, California 94105
(415) 543-3000
Fax (415) 543-2489

September 7, 1989

CONFIDENTIAL

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical for Employee Stock Ownership Trust (ESOT) purposes as of April 30, 1989.

Our evaluation places a fair market value of $1,635,995 on the common stock of Angeles Chemical Co. as of April 30, 1989. Based on 54,065 A and B common shares outstanding, the value per share is $30.25. This evaluation is derived from adjusting book value and is discounted for restricted marketability.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

MENKE & ASSOCIATES, INC.

Eric M. Bramstedt

Eric M. Bramstedt

EMB:ew

Table of Contents

I. INTRODUCTION

Angeles Chemical Co. ("Anchem" or the "Company") has requested Menke & Associates render its opinion as to the fair market value of the Company's common stock in connection with transactions involving the Company's Employee Stock Ownership Trust (ESOT). This valuation is based on financial data provided us for the five fiscal years ended April 30, 1989 and is derived from adjusted book value.

In that regard, Menke & Associates places a fair market value of $1,635,995 or $30.25 per share on the common stock of Anchem as of April 30, 1989 based on 54,065 A and B shares outstanding.

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are primarily used in industrial and commercial coating applications. Sales in fiscal 19~~88~~9 were $9.0 million, having dropped steadily from a peak of $16.8 million in fiscal 1982. The Company recorded a net loss of $110,000 in fiscal 1989, its first unprofitable year since its founding in 1972. Anchem has a stable balance sheet with no long-term debt. The uninterrupted sales erosion, lack of profitability and major potential environmental issues are the significant elements in this appraisal.

Scope of the Valuation Study

The purpose of this valuation study is to determine the fair market value of a minority interest in the common stock of Anchem as of April 30, 1989 for transactions involving the Company's Employee Stock Ownership Plan.

In performing this valuation study, a variety of data and assumptions were used. The financial information on past performance was gathered from the financial statements of Anchem as prepared by its accounting firm for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statement for the year ended April 30, 1989.

Projections of expected future financial performance through fiscal 1990 were provided by management. The appraiser has visited the Company's facilities in Santa Fe Springs, California. Interviews were held with members of management and with certain outside sources with regard to the chemical distribution industry generally and specifically about several important environmental/ regulatory issues facing the Company.

In ascertaining the value of the Company, published data on publicly traded companies was utilized in an effort to find comparable companies. There were no companies which were found to be directly comparable.

Prior ESOP Valuations and Reports

Anchem's ESOP was established during fiscal year 1984 as a conversion from a profit sharing plan. ESOP valuations for fiscal years 1984, 1985 and 1986 were prepared by Charles B. Stark, Jr., PC; the fiscal 1987, 1988 and 1989 valuations were conducted by Menke & Associates. The table below illustrates the aggregate ESOP (minority interest) values relative to certain financial criteria:

ESOP Valuation Summary

		Percent of			Times		
Date	Aggregate ESOP Value	Sales	Assets	Equity	Gross Profit	Operating Income	Working Capital
4/30/89	$1,635,995	18.2%	53.9%	81%	0.79X	Neg.	1.08X
4/30/88	1,730,000	18.3	56.5	81	0.72	Neg.	1.15
4/30/87	2,122,604	20.2	65.0	100	0.78	22.6X	1.46
4/30/86	2,600,000	21.4	79.2	127	1.17	31.3	1.56
4/30/85	2,500,000	18.5	78.0	140	1.12	10.9	1.82
1/01/84*	2,250,000	15.0	71.8	134	1.14	17.2	1.68

* Using FY 4/30/83 financial results

Neg. = Negative calculation

Per share values were $30.25, $32.00 and $39.25 on 54,065 Class A and B shares in fiscal 1989, 1988 and 1987, respectively; $48.20 on 54,209 A and B shares in fiscal 1986; and $48.20 on 51,867 A and B shares in fiscal 1985.

Menke & Associates' fiscal 1987 and 1988 valuation conclusions were documented in reports dated November 1987 and October 1988 and are herein incorporated. Among other information, these reports contain a description of the chemical distribution industry; Anchem's history, operating description and management; and the valuation methodologies employed.

This update report will focus on important environmental/ regulatory problems confronting Anchem.

Limitations of this Valuation

In preparing the valuation, Menke & Associates relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Menke & Associates also considered information based upon other publicly available sources which it believes to be reliable, however Menke & Associates and the appraiser do not guarantee the accuracy and completeness of such information and did not independently verify the financial statements and other information. The appraiser is not aware of material omissions or understatements which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This appraisal is intended for the purpose(s) stated herein. Any other application by the Company, its shareholders and others may not be appropriate.

Neither the appraiser nor Menke & Associates, Inc. has any present financial interest in Anchem, and the fee for this valuation is not contingent upon the value(s) determined. The qualifications of Menke & Associates to undertake this valuation are summarized in Appendix II.

II. VALUATION PROCESS

The stock in this valuation has been evaluated based upon: (1) the pertinent principles, regulations and guidelines of the Internal Revenue Service; (2) analysis of the Company's financial statements; (3) thorough discussions with management; and (4) analysis of relevant industry conditions and other factors.

Definitions

The following terms will recur throughout the valuation and should be understood by the following definitions, except as otherwise noted:

Fair Market Value -- The Internal Revenue Service has defined "fair market value" in Revenue Ruling 59-60, issued in March 1959, as:

> "...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

Pretax and Pre-Contribution Earnings -- Pretax earnings refer to earnings or income before federal, state and local income taxes. Pre-contribution earnings refer to pretax earnings before discretionary employee benefit plan contributions.

ESOP -- Employee Stock Ownership Plan and ESOT -- Employee Stock Ownership Trust refer essentially to the same entity and for purposes of this valuation can be considered interchangeable.

IRS Guidelines

In general, a company whose securities are traded in volume by informed persons in a free and active market has its fair market value determined continuously. The prices at which the securities of such a company trade are a reflection of the collective opinion of the investing public as to what the future prospects of the company are at that point of time. However, when a stock is traded infrequently, or is traded in an erratic market, or is closely held, such as in the case of Angeles Chemical, some other measure of value must be found.

The Internal Revenue Code of 1954, Section 2031(b), specifies that the value of stocks and securities of corporations not listed on an exchange or freely traded "...shall be determined by taking into consideration, in addition to all other factors, the value of stock or securities of corporations engaged in the same or a similar line of business which are listed on an exchange."

Revenue Ruling 59-60, issued in March 1959 for estate valuation purposes and extended to include the determination of fair market value of closely held businesses for income and other tax purposes by Revenue Ruling 65-193, further develops a set of eight criteria which, while not all-inclusive, are fundamental to the appraisal of the fair market value of closely held companies.

The Department of Labor has recently issued proposed regulations on "Adequate Consideration" which address valuation issues affecting Employee Stock Ownership Plans. These proposed regulations endorse Revenue Ruling 59-60 and set forth other factors to be considered in valuing securities for ESOT purposes.

Consequently, this report has considered the following factors:

- History of the Company and Nature of Its Business
- Economic Outlook in General and Condition and Outlook of the Industry in Particular
- Book Value of the Stock and Financial Condition of the Business
- Earnings Capacity of the Company
- Dividend Paying Capacity
- Whether or Not the Enterprise Has Goodwill or Other Intangible Assets
- Sales of Stock and Size of the Block of Stock to be Valued
- The Market Price of Stocks of Corporations Engaged in the Same or a Similar Line of Business Having Their Stocks Actively Traded in a Free and Open Market or Over the Counter

The Effect of ESOP Contributions on Fair Market Value

Anchem's ESOP was established in fiscal 1984. The Company made a cash contributions of $9,500 in fiscal 1989, $6,500 in fiscal 1988 and $65,000 in fiscal 1987.

The implementation of an Employee Stock Ownership Plan may have a material effect on the profitability and cash flows of a business enterprise. The effect on profitability and cash flows can, as a consequence, directly impact the fair market value of the business enterprise. The degree of effect depends on how the ESOP is used and can vary by changing the amount and/or nature of the annual contribution itself (cash or stock).

An additional consideration in determining fair market value for an ESOP company is how the Company is providing for the emerging liability created when vested terminated plan participants tender Company stock for redemption.

For detailed discussions of the effect of cash and/or stock contributions on earnings, cash flows and book values and of the impact of emerging liability treatment on ESOP stock marketability, see Section II of the November 1987 valuation study.

Comparability in Accounting Methods

The accounting profession allows a number of alternative accounting treatments in areas such as inventory and depreciation accounting. Depending upon the particular accounting method utilized, reported earnings may differ materially within a given year. These accounting treatments, which are permitted under Generally Accepted Accounting Principles (GAAP), are usually one-time decisions. Once a company has opted for a particular accounting treatment it cannot change between various accounting alternatives year after year without good cause. Because of these rules, accounting statements for a particular company are generally comparable from year to year. This comparability, however, may not exist from company to company even if they are in the same industry. This is especially true if one is comparing a "public" company with a "closely held" company.

A further discussion of Menke & Associates perception of the differences and economic ramifications of public and private Company accounting procedures is also found in Section II of the November 1987 valuation study.

Discounts to Fair Market Value

The marketability of the company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can also affect the concluded value.

Closely held stock, which lacks marketability, is far less attractive than a similar stock with ready access to the public marketplace. In valuing a block of stock, Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability.

Further, a minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. Discounts can range from 10% to 30% or more. When minority interest and lack of marketability discounts are both applied, they are sequential.

III. COMPANY AND INDUSTRY

Angeles Chemical is a resale/distributor primarily of liquid industrial chemicals used principally in the coating process. About 60% of sales are industrial chemicals and 40% commercial which carry better margins. In the past five years, dollar sales have fallen $4.5 million or by one-third and physical volume by an even greater amount (because of price increases in the past year and a half). Much of this decline in the most recent two to three years reflects the loss of major accounts like Standard Brands Paint and Home Club (Bortz) for whom Anchem was packaging various solvents and of Wizard Charcoal lighter fluid (Boyle-Midway). At their peak, these accounts individually were $1 million or more annually.

Overall, the Company now has about 350 active industrial customers and 425 in the packaging division, all located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and present shareholder, is an important customer.

Previous valuation studies have discussed Anchem's fiscal 1986 purchase of Bortz Oil which was a packager of paint thinners and finishers for the consumer/retail market. Bortz was unprofitable on about $3 million of annual revenues at the time of its acquisition. In retrospect, the Bortz purchase does not appear to have been economically successful although its inclusion may have slowed Anchem's sales decline. Menke & Associates believes that increased acquisition-related operating costs and sales commissions, the lost Home Club business, and principal and interest payments on the Bortz $450,000 cash and note purchase price (now fully paid off) resulted in a negative cash flow for Anchem from this transaction over the past three years.

Anchem's basic raw materials are these organic chemicals -- propylene, methanol, toluene, xylene, ethylene glycol, acetone and isopropy/alcohol. These are forms of petroleum distillates which are purchased from Shell, Chevron, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and 9 above-ground tanks (old railroad tank cars of 2,000 gallons capacity each).

Anchem operates out of administrative offices, packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The structures and improvements are Company-owned, while the underlying real estate is owned by a partnership comprised of the three founding stockholders -- John Locke, Robert Berg and Arnold Rosenthal. Mr. Rosenthal is no longer active in the Company. As discussed in the previous valuation study (October 1988), the partnership is negotiating to sell the underlying property to the Company. Based on recent sales of comparable nearby industrial property, the Anchem lot may have a fair market value of $900,000 "clean" (see following discussion of possible underground chemical contamination). The parties have retained a knowledgeable commercial real estate broker to act as arbitrator in the transaction. The land rent on a triple net basis is $72,000 a year.

Anchem rents 20,000 square feet of warehouse space in a Los Angeles building owned by Robert Berg for $60,000 a year.

As of the summer of 19~~89~~ 90, Anchem had ~~31~~ 26 full-time employees versus 34 and 43 a year and two years earlier, reflecting the downsizing of the Company. The Company has also reduced temporary or part-time help since the end of fiscal 1988.

Management and Stock Ownership

The Company officers as of summer 1988 were:

Officer	Title	Joined Co.	Age
John Locke	President, CEO	1971	63
Robert Berg	Secretary/Treasurer	1971	
James Froelich	Controller	1987	~~45~~
Candy Hutton			

John Tracy, Operations Manager, resigned during fiscal 1989. A significant concern in this valuation is Anchem's loss of several key managerial and sales employees, who have not been specifically replaced, over the past several years.

The Board of Directors consists of John Locke, Raymond Berg, and Arnold Rosenthal. A Company founder, Mr. Rosenthal sold his stock to the ESOP in 1984 and had a consultant agreement with Anchem at $57,500 per year through July 1989. Mr. Berg's primary employment is President of Ellis Paint Co., an important Anchem customer.

As of April 30, 1989 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

Holder	Number of Shares	
John Locke	20,000 A shares	37%
Robert Berg	20,000 A shares	37
ESOP	14,065 B shares	26
Total	54,065 A & B shares	100%

Class A common stock is voting and Class B is nonvoting. Otherwise the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraiser nor by Menke & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Environmental Issues

In recent years, Anchem and the chemical distribution industry have been subject to an ever increasing number of complex federal, state and local environmental laws and regulations which together impose increased liability and clean-up exposure, greater business constraints and larger financial risks.

Specifically, Anchem is subject to a number of regional environmental regulatory agencies. These include South Coast Air Quality Management District, Environmental Protection Agency, the California Highway Patrol (hazardous material, permit inspections, etc.), the Fire Department of the City of Santa Fe Springs and others.

As of the date of this report, Anchem has no environmental agency actions, citations or violations. However, there is a major pending proposal by the California Air Resources Board, the EPA, the Air Quality Management District, and other political entities to have Southern California comply with Federal clean-air standards by 2007. The proposed regulations are extremely comprehensive and range from adopting stricter standards for industry smokestacks, automobile emissions and fuels to banning the use of charcoal lighter fuel and restricting the manufacture and use of certain paints and solvents in the Los Angeles Basin. Menke & Associates believes that some of Anchem's recent customer losses are attributable to existing and prospective Southern California environmental regulations which are already among the toughest in the U.S.

A significant issue and potential problem currently being addressed by Anchem is the possibility of soil and/or groundwater chemical pollution at the Santa Fe Springs site. Anchem now holds an "interim" permit from Los Angeles County to operate underground storage tanks (USTs) and is seeking a permanent hazardous waste use permit. The possibility of contamination is also a critical issue in the proposed property ownership transfer.

Angeles has retained an environmental consultant, SCS Engineers, to investigate for UST and other contamination and, if such exists, estimate the clean-up costs and suggest remedial programs. SCS's analysis and findings will not be available for several months or possibly longer. Based on their general professional knowledge and experience at sites similar to Anchem's, SCS believes that clean-up costs could run from $75,000 to $300,000 over an unspecified but possibly extended timeframe. At worst case, remedial expenses could be significantly greater.

Factors mitigating against large clean-up expenses include these:

- The Company has not experienced any major fluid losses over time, according to management.
- It is a relatively new operation.
- Much of the operating surface is covered with asphalt, minimizing the effects of surface spills or leaks.

Anchem does not have environmental liability insurance nor has it established any reserves. Under the principle of joint and several liability, as Menke & Associates understands it, the Company and the real estate partnership may share the burden of remedial expense, which point is subject to negotiation and arbitration between these two parties.

Even if there are no material clean-up costs, Anchem could incur an estimated $75,000 to $100,000 of additional operating expenses, in perhaps fiscal years 1990-91, to conduct testing and analysis, undertake retrofit work, and install metering devices. Anchem has hired and trained a full-time tank testing technician.

At this point, Menke & Associates is unable to quantify Anchem's possible environmental financial exposure beyond the numbers discussed above. The potential liability is a consideration, however, in the valuation methodology and conclusion rendered herein.

The Industry

The November 1987 valuation study contains an industry overview which describes chemical distribution as a $10 billion-plus industry populated by about 1,000 companies, with the growth occurring at the large firms who can provide a broad level of services. Smaller regional distribution companies are losing market share to the large companies and face increasing difficulties in competing effectively and surviving. The legal, safety, operating and financial challenges alone from the growing environmental laws and regulations may eventually overwhelm the small concerns.

In its fiscal 1988 annual report to shareholders, Univar, the largest U.S. chemical distributor, provides this succinct outlook on the chemical industry which is still applicable:

"The Chemical Industry:

— will become more global in nature

— distributors will become more important

— there will be consolidation among distributors

— computer technology/systems will become critical to business success

— there will be increased regulation and greater environmental safety awareness

— spent chemical management will grow in importance

— the demand for quality in products, in services, and in operating systems will continue to intensify"

In its 1989 annual report, Univar reconfirmed these trends by saying "the chemical industry is growing, the percentage of its output being sold by distributors is increasing, and we anticipate that the number of distributors who share this increasing volume of business will continue to shrink." Univar's fiscal 1989 sales of $1.31 billion were up 17% year-to-year.

Financial Analysis and Review

Anchem has provided Menke & Associates with financial statements for the fiscal years 1985-1989. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1989, prepared as a compilation by Arthur Buhlman & Co., CPAs, is attached as Appendix I.

The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

Exhibit A -- Comparative Income Statement, FY1985-1989
Exhibit B -- Comparative Balance Sheets, FY1985-1989
Exhibit C -- Selected Financial Ratios, FY1987-1989

The statement of cash flows in Appendix I replaces the statement of changes in financial position in the previous study.

These exhibits are presented at the end of this section of the report. The following comments and observations are based on Menke & Associates' review and analysis of the Company's financial statements.

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1985-89. Sales in fiscal 1989 fell 4.6% or $439,000 year-to-year to just over $9,000,000, the smallest dollar sale decline in the now seven consecutive years of sales fall-off. This sales result is also reasonably close to management's year ago forecast that fiscal 1989 sales would be $9.5 million. This nominal drop however somewhat masks the true erosion in Anchem's business. In calendar 1988 the Company estimates that gallons shipped were down about 17% year-to-year. Anchem on the average has been able to raise its prices about 12% in a coincident timeframe.

On the other hand, chemical (refinery) prices are up an estimated like 12% producing a very nominal 1.3% drop in cost of goods sold to $6.9 million or 77.1% of sales in 1989 as opposed to $7 million or 74.6% of sales in 1988. Accordingly, gross profit dropped over 14% or $345,000 to $2.06 million and gross margins were 22.9% in 1989 versus 25.4% in 1988 and 26% in 1987, the best year in at least the last five.

Anchem has made some significant progress in reducing operating expenses in the last two years. In fiscal 1989 operating expenses dropped 11.8% or $294,000 to $2.2 million (24.5%) from nearly $2.5 million (26.4%) in fiscal 1988 and $2.6 million (25.1%) in fiscal 1987. In fiscal 1988/89 this was accomplished by reductions in executive and employee wages, the latter by reason of personnel layoffs previously described and by declines in freight out, printing preparation expense, and advertising. The aggregate more than offset expense increases in some areas, most notably drum maintenance.

The nearly $300,000 reduction in operating expenses almost offset the $345,000 decline in gross profit so that the operating loss in fiscal 1989 increased by $50,000 to $145,000 from $95,000 in fiscal 1988.

Other income however fell a relatively sharp $84,000 to $105,000 in fiscal 1989 reflecting lower drum "sales," dividend and miscellaneous income. (In fiscal 1988 the Company recorded a $30,000 "gain" in miscellaneous income from the elimination of some prior year double entry payable accruals.) Other expenses of $112,000 were only moderately lower than $123,000 in 1988 and both years reflect losses on the sale of the Company's stock in the PAR fund.

Accordingly, Anchem had a pretax loss of $152,000 in fiscal 1989 up from $29,000 in fiscal 1988. After tax refunds in both years, Anchem recorded a net loss of $110,000 in fiscal 1989 compared with a small $14,000 profit a year earlier.

For fiscal 1990 management believes that the Company's sales have stabilized at the current $9 million level. In the opinion of Menke & Associates and the appraiser, Anchem's ability to restore profitability is going to be inhibited by a number of factors previously discussed in this report but most specifically the expenses associated with the testing for possible underground storage tank contamination. Fiscal 1990 will be the last year of payment of the $57,500 annual consultant expense (in other expense category) to former stockholder Rosenthal. Given the Company's achievement in reducing operating costs and excluding testing and possible clean-up expenses, Anchem might break even in 1990.

Exhibit B contains a comparative balance sheet for Angeles Chemical for the five years fiscal 1985-89.

The Company's balance sheet shows very little change from April 30, 1988 to April 30, 1989. For example, total assets were $3.04 million at April 30, 1989, down very slightly from $3.06 million a year earlier and $3.2 million at April 30, 1985.

Importantly, cash and equivalent liquid investments increased $128,000 to $371,000 (12.2% of total assets) as compared to $243,000 (7.9%) at April 30, 1988 and the highest since $905,000 (27.5%) at April 30, 1986. Changes in the other current asset accounts of accounts receivable, inventories and prepaid expenses were not material, so that total current assets at $2.49 million (81.8%) were essentially the same as the $2.4 million (79.1%) at April 30, 1988.

Fixed assets at cost increased to $1.84 million from $1.72 million primarily as a result of the continued capitalization of drums discussed in last year's valuation study. The accumulated depreciation offset was also increased accordingly to $1.3 million from $1.1 million at April 30, 1988. Net fixed assets declined to $552,000 (18.2%) from $623,000 (20.4%). On the current depreciation schedule, these assets will be written off for book purposes within three years.

Similarly, there were no significant changes in the composition of current liabilities except that total current liabilities rose $63,000 to $975,000 (32.1%) at April 30, 1989 from $912,000 (29.8%) a year earlier, primarily as a result of a $135,000 increase in accounts payable to $705,000 (23.2%).

Current assets and current liabilities have both declined over the last five years, reflecting the much lower level of Anchem's sales and business activity.

Long-term liabilities increased a very slight $24,000 to a still nominal $37,000. Shareholders' equity on the other hand declined $110,000 to just over $2 million from $2.1 million at April 30, 1988 and the lowest since April 30, 1986.

Exhibit C presents certain financial and operating ratios for the fiscal years 1987 to 1989. Working capital at April 30, 1989 was $1.51 million, almost exactly the same as a year earlier. At April 30, 1989 the current ratio of 2.55:1 and the quick ratio of 1.55:1 were still very strong. The inventory turn at 9.7 times improved somewhat from 1988 and was almost identical to 1987. Basically, the Company has no long-term debt.

Appendix I contains a statement of cash flows for fiscal 1989 which is summarized as follows:

	F1989 (000)
Net cash from:	
Operating activities	$273
Investing activities	106
Financing activities	(19)
Net increase in cash	$361

The statement reveals inter-entity financing activity with an affiliated company, Stallion Tank Lines.

Menke & Associates' concluding observation on Anchem at April 30, 1989 is the same as a year earlier in expressing concern about Anchem's long-term business viability. The Company's debt-free position, solid current financial ratios and a reasonably liquid balance sheet provide management with a period of time to determine an ultimate resolution to the problems facing the Company, many of which are beyond management's direct control.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement
F1985-89
(000)

FYE 4/30:	1989		1988		1987		1986		1985		
Sales	$9,003	100.0%	$9,442	100.0%	$10,521	100.0%	$12,129	100.0%	$13,520	100.0%	
Cost of Sales	6,945	77.1	7,040	74.6	7,787	74.0	9,909	81.7	11,296	82.6	
Gross Profit	2,057	22.9	2,402	25.4	2,734	26.0	2,219	18.3	2,224	16.4	
Operating Expenses	2,203	24.5	2,497	26.4	2,640	25.1	2,136	17.6	1,994	14.7	14.7
Operating Income	(145)	(1.6)	(95)	(1.0)	94	.9	83	.7	230	1.7 ✓	
Other Income	105	1.2	189	2.0	73	.7	180	1.5	224	1.6	
Other Expenses	112	1.2	123	1.3	88	.8	48	.4	41	.3	
Pretax Income	(152)	(1.7)	(29)	(.3)	79	.8	215	1.8	414	3.1	3.1
Provision for Taxes	42	.5	43	.5	(12)	(.1)	(75)	(.6)	(187)	(1.4)	
Net Income	$ (110)	(1.2%)	$ 14	.1%	$ 67	.6%	$ 139	1.2%	$ 227	1.7%	1.7%

SOURCE: Company financial statements (Unaudited)

ANGELES CHEMICAL COMPANY
Exhibit B
Comparative Balance Sheet
1985-89
(000)

As of April 30:	1989		1988		1987		1986		1985	
Current Assets:										
Cash & Liq. Inv.	$ 371	12.2%	$ 243	7.9%	$ 202	6.2%	$ 905	27.5%	$ 521	16.2%
Accounts Rec.	1,139	37.5	1,222	39.9	1,323	40.5	1,288	39.2	1,591	49.6
Inventories	719	23.7	773	25.3	794	24.3	597	18.2	627	19.6
Prepaid Exp./Other	257	8.5	184	6.0	206	6.3	115	3.5	62	1.9
Total	2,486	81.8	2,421	79.1	2,526	77.3	2,906	88.5	2,801	87.3
Fixed Assets @ Cost	1,844		1,724		1,601		1,089		1,026	
Accum. Depreciation	(1,292)		(1,101)		(868)		(719)		(629)	(553)
Net Fixed Assets	552	18.2	623	20.4	733	22.4	371	11.3	397	12.4
Other Assets	--	17	.5		8	.2	8	--	8	--
Total Assets	$3,038	100.0%	$3,061	100.0%	$3,266	100.0%	$3,285	100.0%	$3,207	100.0%
Current Liabilities:										
Accounts Payable	$ 705	100.0%	$ 570	18.6%	$ 609	18.6%	$1,119	34.1%	$1,120	34.9%
Deposits	119	3.9	142	4.6	198	5.8	159	4.8	143	4.4
Note Payable-Bortz	103	3.4	83	2.7	193	5.9	--		--	--
Accrued Expenses	47	1.5	116	3.8	68	2.1	49	1.5	69	2.2
Inc. Tax Payable	--		--		--		(87)	(2.6)	92	2.9
Total	975	32.1	912	29.8	1,068	32.7	1,240	37.7	1,424	44.4
L/T Liabilities	37	1.2	13	.4	76	2.3	--		--	
Shareholder Equity	2,026	66.7	2,136	69.9	2,122	65.0	2,046	62.3	1,782	55.6
Total Liabilities and Equity	$3,038	100.0%	$3,061	100.0%	$3,266	100.0%	$3,286	100.0%	$3,207	100.0%

SOURCE: Company financial statements (unaudited).

BR001630

ANGELES CHEMICAL COMPANY

Exhibit C

Selected Ratio Analysis FY1987-89

FY April 30:	1989	1988	1987
Liquidity Ratios			
Current (Current Assets divided by Current Liabilities)	2.55	2.65	2.36
Quick (Cash & Accounts Receivable divided by Current Liabilities)	1.55	1.61	1.42
Working Capital ($000)	1,511	1,509	1,458
Sales/Receivables (Sales divided by Accounts Receivable)	7.90	7.73	7.98
Sales/Working Capital (Sales divided by Working Capital)	6.0	6.3	7.2
Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories)	9.7	9.1	9.8
Coverage Ratio			
EBIT/Interest (Earnings before Interest and Tax divided by Interest Expense)	Neg.	Neg.	5.2
Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Current Portion of Long Term Debt)	1.05	2.5	1.2

Exhibit C (cont.)

FY April 30:	1989	1988	1987
Leverage Ratios			
Debt/Worth (Total Liabilities divided by Net Worth)	0.50	0.43	0.54
Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth)	Nom.	Nom.	0.04
Operating Ratios			
Percent Profit before Taxes/ Net Worth (Pretax Profit divided by Assets less Liabilities)	Neg.	Neg.	3.7%
Total Asset Turnover (Sales divided by Average Total Assets)	2.95	2.98	3.21
Return on Equity (Net Income divided by Average Stockholders' Equity)	Neg.	Nom.	3.2%
Return on Assets (Net Income divided by Average Stockholders' Equity)	Neg.	Nom.	2.0%

Neg. = Negative calculation
Nom. = Nominal

IV. VALUATION

In arriving at a minority interest fair market value determination for Angeles Chemical, Menke & Associates has considered the relevant factors set forth in Revenue Ruling 59-60 with regard to the valuation of closely held companies and in the Department of Labor's (DOL) proposed regulations on "Adequate Consideration" as they relate to the valuation of securities for Employee Stock Ownership Plan purposes. The following comments represent our findings with regard to those specific factors outlined in Revenue Ruling 59-60 and the DOL's proposed regulations on "Adequate Consideration" as they pertain to the valuation of Angeles Chemical. The following references to Revenue Ruling 59-60 implicitly include the DOL's proposed regulations.

Book Value

Anchem's stated book value was $2,025,921 or $37.47 a share as of April 30, 1989.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. Because of depressed operating results, Menke & Associates chose to use book value as fair market value for ESOP purposes as of April 30, 1987 and used it as a valuation reference as of April 30, 1988 and 1989.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income.

Normally, earnings reinvested in the growth of the Company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

The capacity to declare and pay cash dividends is a positive consideration. The decision not to pay dividends is not a negative consideration.

Comparable Companies -- Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Menke & Associates has made an exhaustive search for comparable public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded comparable. Publicly traded companies are generally much larger and more diverse both geographically and in business operations.

One such large public company is Univar Corp. Univar is the largest U.S. chemical distributor with fiscal 1989 revenues of $1.3 billion. Van Water & Rogers, a Univar division, is a direct Anchem competitor. In fiscal 1989 Univar spent $2.6 million on certain environmental elective action regulatory matters and has reserves of $9.7 million for estimated remedial and other related costs. Univar's net income per share was $2.27 and cash flow (net income plus depreciation) was $3.87 for the fiscal year ended February 28, 1989. Univar's current ratio as of that date was 1.33:1; debt to equity was 0.9:1 and book value was $13.14 per share. Return on sales and equity were 1.5% and 17.4% respectively. As of April 30, 1989, Univar common was trading at $29-1/2 or 2.2X book value, 13.0X earnings, 7.6X cash flow and 14% of revenues.

Normally, Menke & Associates would select a capitalization rate or Price/Earnings ratio by reference to P/E ratios for market indices such as the Dow Jones Industrials, Standard & Poor's 400 and Moody's Chemical Industry composite. Since a capitalization of earnings methodology is not now being employed, such a reference is not appropriate. Univar's market capitalization rates may be broadly referenced in the future although Univar is a substantially larger and much more geographic, customer and product diverse company.

Cash Flow and Earnings Capacity

The prior ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation or total source of funds. Available cash flow before taxes is pretax income plus profit share/ESOP contribution plus depreciation. Anchem's earnings and cash flow as just defined for FY1989 and its recent three-year average is shown below:

		Cash Flow	
Period	Net Income	Available	After Tax
FY1989	($110,000)	$ 69,000	$101,000
FY1987-89 Avg.	(29,000)	181,000	178,000

NOTE: Figures have been rounded

In a cyclical industry such as chemical distribution, it is normally appropriate to use five-year averages for valuation purposes as was done in the past. However, Anchem's steady decline in sales and profits indicates an alteration in the Company's basic operating circumstances. Consequently, the employment of historic five-year averages is not indicative of the Company's current and future income and cash flow. The appraiser therefore did not use these longer term averages and feels that a three-year average also may not be indicative.

It is important to note that fiscal 1988 and 1989's net income and aftertax cash flow reflect a very small ESOP contribution, while there was a sizable ESOP contribution of $66,000 in fiscal 1987.

Anchem's fiscal 1990 cash flows may not exceed those of 198~~8~~,9 even if sales hold as management suggests, because of the previously discussed environmental investigation costs. In July 1989 Anchem made its last consulting payment to Arnold Rosenthal on his $57,500 per year fee. Capital expenditures for a shrinking company may not be a significant element and are not provided for.

Valuation

Because of insufficient demonstrable earning power and moderate cash flow prospects, Menke & Associates and the appraiser once again must look to the balance sheet for valuation purposes as in fiscal 1988 when we employed a book value approach.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to primarily utilize adjusted book value is based on the factors discussed and Menke & Associates and the appraiser's experience and knowledge in deriving equity values of closely held companies.

For the instant valuation, the appraiser believes the stated book value of $2,026,000 should be discounted 5% or $101,300 to reflect the opinion that fixed assets and inventory would be liquidated at below book or carrying value.

Since management has not provided Menke & Associates with specific current estimates of plant and equipment market value, the appraiser's 5% discount to an adjusted value of $1,924,700 is somewhat judgmental. At the valuation dace, Anchem was essentially long-term debt free and working capital was $1.51 million.

Subtracting working capital of $1.51 million from the adjusted book value suggests the plant and equipment may be worth in an orderly liquidation $413,000 versus a book cost of $552,000. Part of this figure could also represent business goodwill and going concern value although economic worth of these elements, which Menke & Associates has not attempted to otherwise quantify, is shrinking as the Company loses customers and sales.

The indicated fair market value of $1,924,700 is 27.9X fiscal 1989 available cash flow (CF) and 19.0X aftertax CF. It is also 10.8X average fiscal 1987-89 available aftertax CF. These capitalization rates are high and only provide marginal support to the value conclusion.

As of the ESOP plan year which began May 1, 1987, the ESOP Committee changed its policy of paying terminated plan participants in a lump sum to paying participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock in each of five years at the fair market value applicable for each year. Accordingly, the above derived value is discounted for restricted marketability by 15% (increased from 10% in fiscal 1988) or $288,705 to $1,635,995 or $30.25 a share (rounded) on 54,065 A and B shares outstanding. This figure is slightly above Anchem's working capital at April 30, 1989, which working capital basically accrues to the equity holders.

Arguably, the restricted marketability and "liquidation" discounts should be greater than 15% and 5%. However, the aggregate ESOP (minority interest) value has been reduced 37% in the four years between April 30, 1986 and 1989, an overall deflation which Menke & Associates believes properly and adequately reflects the problems confronting Anchem and its ESOP participants.

Valuation Summary
Angeles Chemical Co., Inc.
April 30, 1989

Stated Book Value	$2,026,000
Less Liquidation Discount (5%)	101,300
Subtotal	1,924,700
Less Marketability Discount (15%)	288,705
Fair Market Value	$1,635,995
Per Share on 54,065 Shares	$30.25 (R)

R = Rounded

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation.

There have been no such recent transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Menke & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is $1,635,995 or $30.25 per share as of April 30, 1989 on 54,065 A and B shares outstanding. This valuation is based on an adjusted book value approach.

Specific positive factors concerning Anchem were its positive cash flow; still solid and long-term debt free balance sheet; reasonably liquid cash position; and effective cost reduction program.

Unfavorable factors were seven consecutive years of sales and profit decline, a net loss in fiscal 1989, negative returns on capital and equity, uncertainty over the timing of an operating stabilization or turnaround, loss of middle management and marketing personnel, and the potential environmental clean-up costs.

It is important to point out that this evaluation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the ESOT. This report does not specifically address the evaluation of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change the management, to acquire other companies and/or business operations, to buy companies or new product lines, or to sell or merge the Company, may be greater than the total value implied by this evaluation.

On the other hand, the value of minority interest shares held outside of an ESOT would probably be less than the value determined in this report. An ESOT with a "put" option obligating the Trust to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted by more than 15% taken here for their greater inherent lack of marketability.

This valuation is as of April 30, 1989; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

APPENDIX I

ARCHER, BULMAHN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

626 SOUTH LAKE AVENUE · PASADENA, CALIFORNIA 91106

To the Board of Directors
Angeles Chemical Co., Inc.

We have compiled the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1989 and the related statement of income for the quarter and year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or performed a review service on the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operation, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Archer, Bulmahn & Co.
CERTIFIED PUBLIC ACCOUNTANTS

July 10, 1989

ANGELES CHEMICAL CO., INC.
BALANCE SHEET
UNAUDITED
APRIL 30, 1989

ASSETS

CURRENT ASSETS			
PETTY CASH		$ 400.00	
CASH IN BANK		123,394.06	
CASH IN BANK - BORTZ		41,663.77	
CASH IN MONEY MARKET		5,617.03	
CERTIFICATE OF DEPOSIT		200,000.00	
ACCOUNTS RECEIVABLE	$ 1,067,415.56		
ALLOW. FOR DOUBTFUL ACCTS.	(11,508.25)		

NET RECEIVABLES		1,055,907.31	
ACCTS. REC. - STALLION		44,436.00	
ACCTS. REC. - OTHER		38,988.45	
EMPLOYEE ADVANCES		5,154.88	
INVENTORY - CHEMICALS		305,873.61	
INVENTORY - PACKAGING		108,081.69	
INVENTORY - PKG.-BORTZ		304,055.43	
INVENTORY - GASOLINE		1,226.72	
PREPAID INCOME TAX		48,561.00	
PREPAID INTEREST		16,686.47	
PREPAID PROPERTY TAXES		1,897.26	
PREPAID TANK TESTING		.00	
PREPAID INSURANCE		109,728.02	
PREPAID AUTO LEASE		775.00	
PREPAID CONSULTANTS FEES		8,811.01	
PREPAID PACKAGING		49,184.89	
DEPOSITS ON EQUIPMENT		120.00	
DEPOSITS PAID - CARBOY/POLY		5,377.00	
DEPOSITS PAID - REG. DRUMS		10,179.25	
DEPOSITS PAID - PALLETS		316.20	

TOTAL CURRENT ASSETS			$ 2,486,435.05
FIXED ASSETS - AT COST			
OFFICE TRAILER	97,811.43		
TRUCKS & AUTOS	213,056.40		
TANKS & PLANT EQUIPMENT	789,771.46		
FURNITURE & FIXTURES	206,361.76		
CONSTRUCTION IN PROCESS	.00		
PLANT	340,712.78		
DRUMS	196,671.00		

TOTAL FIXED ASSETS		1,844,384.83	
LESS: ACCUMULATED DEPRECIATION		(1,292,398.44)	

NET FIXED ASSETS			551,986.39

TOTAL ASSETS			$ 3,038,421.44
			==========

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
BALANCE SHEET
UNAUDITED
APRIL 30, 1989

LIABILITIES AND CAPITAL

CURRENT LIABILITIES			
ACCOUNTS PAYABLE		$ 705,309.74	
ACCRUED TANK TESTING		5,103.40	
ACCRUED PAYROLL		12,479.12	
ACCRUED COMMISSIONS		21,135.21	
ACCRUED WORKMANS COMP. INSURANCE		3,074.95	
SALES TAX PAYABLE		4,459.14	
INCOME TAXES PAYABLE		300.00	
DRUM DEPOSITS		119,350.00	
EMPLOYEE BENEFIT & WELFARE		1,144.37	
NOTES PAYABLE		102,683.40	
ACCRUED PROFIT SHARING		.00	

TOTAL CURRENT LIABILITIES			$ 975,039.3
LONG TERM LIABILITIES			
NOTE PAYABLE		37,460.92	

TOTAL LONG TERM LIABILITIES			37,460.9
CAPITAL			
CAPITAL STOCK - $.10 PAR VALUE, 1,000,000 SHS. AUTHORIZED, 54,065 SHS. ISSUED & OUTSTANDING		5,406.50	
PAID IN CAPITAL		105,723.80	
RETAINED EARNINGS - BEGINNING	$ 2,024,967.91		
NET INCOME OR (LOSS)	(110,177.02)		

RETAINED EARNINGS		1,914,790.89	

TOTAL CAPITAL			2,025,921.1

TOTAL LIABILITIES & CAPITAL			$ 3,038,421.4
			==========

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1989

	CURRENT PERIOD	%	YEAR TO DATE	%
SALES	$ 2,211,313.04	100.0	$ 9,002,717.29	100.0
COST OF SALES	1,669,583.35	75.5	6,945,124.01	77.1
GROSS PROFIT	541,729.69	24.5	2,057,593.28	22.9
OPERATING EXPENSES				
ADMINISTRATIVE SALARIES	24,677.76	1.1	124,000.00	1.4
DIRECT WAGES	74,763.09	3.4	269,971.97	3.0
INDIRECT WAGES	5,360.38	.2	48,687.97	.5
SALES WAGES	21,242.89	1.0	77,825.13	.9
OFFICE WAGES	21,045.35	1.0	98,748.51	1.1
PLANT EXPENSE	11,532.85	.5	35,359.55	.4
LAB EXPENSE	1,522.68	.1	5,195.60	.1
TRUCK EXPENSE	30,399.32	1.4	115,210.04	1.3
AUTO & TRAVEL	12,235.63	.6	43,350.31	.5
FREIGHT-IN	19,444.90	.9	72,478.50	.8
FREIGHT OUT	20,267.79	.9	115,995.33	1.3
DRUM MAINTENANCE	66,359.34	3.0	158,626.34	1.8
TANK TESTING EXPENSE	663.45	.0	6,600.00	.1
REPAIRS & MAINTENANCE	9,995.35	.5	27,121.11	.3
SALES PROM. TRAVEL	2,805.08	.1	16,461.48	.2
PRINTING PREP. EXPENSE	4,785.36	.2	22,834.41	.3
OUTSIDE LABOR	16,328.79	.7	96,260.90	1.1
EQUIPMENT RENTAL	221.00	.0	1,788.44	.0
RENT	33,000.00	1.5	132,000.00	1.5
OFFICE SUPPLIES	3,385.78	.2	10,949.75	.1
COMPUTER EXPENSE	2,734.57	.1	11,024.51	.1
PROFESSIONAL SERVICES	12,593.76	.6	36,735.52	.4
TAXES & LICENSES	5,156.28	.2	16,070.11	.2
PAYROLL TAXES	14,738.77	.7	49,771.43	.6
BUSINESS PROMOTION	4,610.66	.2	14,300.75	.2
ADVERTISING	1,332.34	.1	8,028.59	.1
POSTAGE	1,400.94	.1	5,117.40	.1
COMMISSIONS	25,535.56	1.2	92,191.66	1.0
DIRECTORS FEES	2,250.00	.1	9,000.00	.1
DONATIONS	22.32	.0	182.32	.0
CASUALTY INSURANCE	23,338.26	1.1	99,474.01	1.1
WORKMENS COMP. INSURANCE	7,377.17	.3	29,622.06	.3
GROUP INSURANCE	15,239.32	.7	72,782.62	.8
DUES & SUBSCRIPTIONS	1,379.61	.1	4,894.58	.1

SEE ACCOUNTANTS COMPILATION REPORT

BR001642

ANGELES CHEMICAL CO., INC.
STATEMENT OF INCOME
UNAUDITED
YEAR ENDED APRIL 30, 1989

	CURRENT PERIOD	%	YEAR TO DATE	%
OPERATING EXPENSES-(CONT'D)				
UTILITIES	$ 4,743.48	.2	$ 18,438.49	.
TELEPHONE	5,971.10	.3	23,136.76	.
DEPRECIATION	66,132.82	3.0	211,263.60	2.
EMPLOYEE WELFARE	2,519.34	.1	8,542.46	.
UNIFORM EXPENSE	406.12	.0	2,322.98	.
BAD DEBTS	(40.89)	.0	906.98	.
PROFIT SHARING EXPENSE	3,455.70	.2	9,545.67	.
TOTAL OPERATING EXPENSES	580,934.02	26.3	2,202,817.84	24.
OPERATING INCOME OR (LOSS)	(39,204.33)	(1.8)	(145,224.56)	(1.
OTHER INCOME				
DISCOUNTS EARNED	581.69	.0	4,441.79	.
DEMURRAGE	986.25	.0	3,438.75	.
SALE OF ASSETS	41,835.44	1.9	41,835.44	.
INTEREST INCOME	4,896.09	.2	18,188.11	.
DIVIDEND INCOME	.00	.0	4,608.75	.
MISCELLANEOUS INCOME - Term Charge	8,931.40	.4	32,167.97	.
	57,230.87	2.6	104,680.81	1.
OTHER EXPENSE				
INTEREST EXPENSE	1,428.36	.1	8,704.44	.
CONSULTANT EXPENSE	14,375.01	.7	57,500.04	.
LOSS (GAIN) SALE OF STOCK	.00	.0	45,688.79	.
	15,803.37	.7	111,893.27	1.
NET INCOME OR (LOSS) BEFORE TAXES	2,223.17	.1	(152,437.02)	(1.
PROVISION FOR TAXES	42,560.00	1.9	42,260.00	.
NET INCOME OR (LOSS)	$ 44,783.17	2.0	$(110,177.02)	(1.

SEE ACCOUNTANTS COMPILATION REPORT

ANGELES CHEMICAL COMPANY, INCORPORATED
STATEMENT OF CASH FLOWS
(Unaudited)
FOR THE YEAR ENDED APRIL 30, 1989

CASH FLOWS FROM OPERATING ACTIVITIES:	
CASH RECEIVED FROM CUSTOMERS	9,136,314.97
CASH PAID TO SUPPLIERS AND EMPLOYEES	(8,962,566.16)
OTHER RECEIPTS	35,606.72
INTEREST AND DIVIDENDS RECEIVED	22,796.86
INTEREST PAID	(8,704.23)
INCOME TAXES REFUNDED	50,788.00
INCOME TAXES PAID	(901.00)
NET CASH PROVIDED BY OPERATING ACTIVITIES	273,335.16
CASH FLOWS FROM INVESTING ACTIVITIES:	
PROCEEDS FROM SALE OF EQUIPMENT	9,300.00
PROCEEDS FROM SALE OF SECURITIES	192,094.03
PAYMENTS FOR PURCHASE OF FIXED ASSETS	(95,079.82)
NET CASH PROVIDED BY INVESTING ACTIVITIES	106,314.21
CASH FLOWS FROM FINANCING ACTIVITIES:	
PROCEED FROM NEW BORROWINGS	175,916.00
PRINCIPAL PAYMENTS ON OUTSTANDING DEBT	(141,135.91)
LOANS TO EMPLOYEES	(139,826.00)
COLLECTION OF EMPLOYEE LOANS	136,990.00
LOANS TO OTHERS	(60,209.00)
COLLECTION OF LOANS FROM OTHERS	30,185.52
LOANS TO STALLION TANK LINES	(128,277.00)
COLLECTION OF LOANS FROM STALLION	107,455.51
NET CASH USED BY FINANCING ACTIVITIES	(18,897.88)
NET INCREASE IN CASH DURING THE YEAR	360,751.49
CASH AT BEGINNING OF YEAR	10,333.27
CASH AT END OF YEAR	371,084.76

RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

NET INCOME (LOSS)	(110,177.02)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
DEPRECIATION	211,263.60
(GAIN) LOSS ON SALE OF EQUIPMENT	(41,235.44)
LOSS ON SALE OF SECURITIES	45,689.00
CHANGE IN ASSETS AND LIABILITIES:	
ACCOUNTS RECEIVABLE	133,597.68
INVENTORIES	53,626.45
PREPAID EXPENSES AND DEPOSITS	(79,040.89)
ACCOUNTS PAYABLE	134,913.47
CUSTOMER DEPOSITS	(22,753.00)
ACCRUED EXPENSES	(59,575.69)
INCOME TAXES	7,627.00
TOTAL ADJUSTMENTS	383,512.16
NET CASH PROVIDED BY OPERATING ACTIVITIES	273,335.16

SEE ACCOUNTANTS' COMPILATION REPORT

APPENDIX II

QUALIFICATIONS OF MENKE & ASSOCIATES, INC. APPRAISAL SERVICES STAFF

Eric M. Bramstedt

Eric Bramstedt has over 25 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. He has prepared well over 200 business valuations on closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), incentive stock option plans and others. These valuations have covered a broad industry scope of closely held and public companies including several Fortune 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions and valuation through seven years of extensive experience with three leading ESOP design and valuation firms — Menke & Associates, Kelso & Co. and Houlihan, Lokey, Howard & Zukin.

Mr. Bramstedt holds a bachelors degree in Economics from Stanford University and is a Chartered Financial Analyst (CFA). His professional affiliations include membership in the Security Analysts of San Francisco, the Financial Analysts Federation, and the Valuation Roundtable of San Francisco.

Bryant J. Brooks

Bryant J. Brooks has an extensive background in corporate finance, venture capital, investment banking, and mergers and acquisitions. Mr. Brooks was President of Bay Equities, a venture capital firm, from 1972 to 1974. From 1968 to 1972, Mr. Brooks was President of Boothe Computer Investment Corporation, also a venture capital firm. Prior to that, Mr. Brooks was Vice President and Treasurer of Continental Capital Corporation, a publicly held Small Business Investment Company.

Since 1975, Mr. Brooks has prepared evaluation reports for a wide range of small and large companies. The clients represent a variety of manufacturing, distribution and service organizations -- including a number of high-technology companies.

During 1982, Mr. Brooks served for nine months as pre-term President of a publicly held savings and loan holding company.

Mr. Brooks also teaches graduate level finance courses at Golden Gate University in San Francisco.

Mr. Brooks was graduated Phi Beta Kappa from Yale University in 1950, receiving a B.A. degree in Economics. He received an M.B.A., with Distinction, from Harvard University in 1955.

Raymond G. Hogue

Raymond G. Hogue has performed appraisals of privately held businesses on a full-time basis since 1982. Prior to 1982 Mr. Hogue served as accounting and software manager for a contract software development company. Since 1982 Mr. Hogue has performed business appraisals for over 100 privately held companies involved in manufacturing, distribution, retailing and service with sales ranging from $1 million to $80 million. He has prepared valuations for a variety of purposes including estate planning, Employee Stock Ownership Plan, stock option and stock bonus. Securities valued by Mr. Hogue include common stock, preferred stock, and convertible debt.

Mr. Hogue graduated from San Jose State University in 1980, receiving a B.S. degree in finance. In addition, he was chosen as the outstanding graduate of the San Jose State University School of Business Class of 1980. Mr. Hogue is a director of the Business Valuation Roundtable of San Francisco.

Robert M. Ireland

Robert M. Ireland has an extensive background in securities valuation, corporate finance and venture capital. Prior to joining Menke & Associates, Mr. Ireland was a Vice President and General Partner of Kelso & Company, Inc., an investment banking firm which specializes in Employee Stock Ownership Plan (ESOP) financing techniques. Mr. Ireland is an experienced professional in securities valuation, in the financial design of Employee Stock Ownership Plans (ESOPs), and in the planning, design, structuring and implementation of leveraged buyouts.

Prior to his association with Menke & Associates and Kelso & Company, Mr. Ireland was a consultant to Transamerica Corporation and Memorex Corporation in the areas of corporate finance and capital markets during their computer industry antitrust litigation. From 1970 to 1974, Mr. Ireland was a Security Analyst at BA Investment Management Corporation, a subsidiary of Bank of America NT&SA. He is a member of the Financial Analysts Federation, the Security Analysts of San Francisco, and the American Management Association.

Mr. Ireland graduated from Stanford University with an A.B. in Economics in 1965. He received his M.B.A. in Finance from the University of California at Los Angeles in 1967, followed by two years of service in the U.S. Army as a Contracting Officer at the U.S. Army Electronics Command in Ft. Monmouth, New Jersey, and the Republic of Vietnam.

David L. Klemm

David L. Klemm has had extensive financial management and corporate finance experience with large and small firms.

He has served as Vice President-Finance and Administration of Reserve Oil & Minerals Corp., an $80 million OTC company, as well as Vice President-Finance of Array Technology and Integrated CMOS Systems, Silicon Valley start-up companies.

Earlier in his career he held corporate finance positions with LTV, Inc. of Dallas, Utah International, Inc. of San Francisco, and Triad Systems of Sunnyvale, California. Along with handling the various corporate finance tasks at these companies, he was involved in merger, acquisition and divestiture activities, including the valuation of acquisition candidates.

Mr. Klemm received M.B.A. and J.D. degrees from the University of California at Berkeley.

Everett A. Mathews

Everett A. Mathews graduated from the University of California, Berkeley, with a B.S. degree in Finance. Prior to 1971 he was employed as a commercial loan officer by Security Pacific National Bank in their San Francisco Main Office with responsibility for lending to businesses. Since 1971 he has specialized in financial analysis and the valuation of closely held businesses.

John L. Scripps

John Scripps has 20 years of extensive experience in corporate financial and general management as well as business valuation.

Following several years as a Systems Analyst in the Office of the Assistant Secretary of Defense for Systems Analysis in Washington, D.C., he rejoined the private sector where he has served for almost 18 years as the chief financial officer of three private companies. In that capacity, Mr. Scripps has directed the financial affairs of manufacturing and service companies ranging in size from a venture capital-financed "startup" to an established 85 year-old company producing annual sales approximating $100 million.

Subsequently, Mr. Scripps has specialized in the valuation of closely-held businesses. He has prepared business valuations for a wide range of companies in manufacturing, service, and distribution industries nationwide. He has prepared valuations for a number of purposes, including gift taxes, estate taxes, employee stock ownership plans, and for acquisitions and dispositions of controlling interests in companies.

Mr. Scripps holds an M.B.A. degree in Finance from the Stanford University Graduate School of Business Administration and a B.A. degree, also from Stanford University.

Donald J. Tubb

Donald J. Tubb has varied and extensive experience in general and financial management as well as in corporate finance and business valuation. Mr. Tubb is a retired Air Force officer with 22 years service as a pilot and operations/logistics manager. Subsequently, as a Vice President in the Wells Fargo Bank Corporate Finance Department, he performed stock valuations and assisted in corporate planning, mergers/acquisitions and private placements for bank customers. He has also served as CFO of a manufacturing company and formed his own consulting firm to provide valuation consulting and corporate planning services to corporate clients.

Mr. Tubb received an M.B.A. degree in Finance in 1973 from the University of California at Berkeley and a B.A. in 1955 from Oklahoma State University.

George Schumacher (Ph.) 8/21/89
(20 yrs in comm. R.E. in S.F.S.)
Pacific Properties
S.F. Springs
213-944-1599

1) Like Property - Nearby 7.5 acre parcel closed escrow 6/89. Clean tested. Not used as chemical farm. $11.50/ft knowledgeable developer.

2) This translates into $900,000 for Areclean clean.
FMV $900,000
Est Clean 250-300,000
Net ± $600,000
Tanks not double walled

3) Generally cost of clean-up directly impacts property value. Owners not afraid of clean-up any more. Not immobilizing parties, precluding transactions

4) Solution for instant transaction

1) Split difference (FMV post + pre clean-up)
or 2) Company pay lower value. Send check after clean-up.
3) Company buys and absolves sellers.

Angeles Chemical

Kenneth La Conde (Ph) 8-16-89

worked with Angeles since '85

I - a) Major compliance is with Los Angeles County
Also state legislature Shea Bill - 1984
LA County Reg passed in 1984 - No
specific date to comply. LA "threw up
hands". Cal ahead of most other states. more stringent.

b) Angeles now holds an "interim" permit
(fee) to operate USTs.
Trying to get regular permit - "Hazardous
Material Use Permit"

c) La Conde letter of 8/7/89 - a "generic"
letter

d) won't have definitive results until late fall '89

II - Survey and Correction

a) Tank operator "major tank farm" - one
of largest chemical solvent companies in LA

b) Factors:
1) No major fluid losses. Co would know.
2) Relatively new operation

c) Co. has prepared tank testing report
+ program

La Conde (2)

III Costs

1. To comply with county regs and obtain permit up to $100,000 - "operating cost" for:
   a) Conduct test program described in La Conde letter $25,000 to $50,000
   6-7 bores - will have to drill 20-22 bores.
   b) Retrofit work, install metering devices $25,000 - $50,000

IV Compliance + Clean Up

Based on La Conde's experience and knowledge on Angeles, 50-50 chance of no major problem ~~[illegible]~~ with clean-up cost of $75,000 to $300,000 (see letter)

Clean-up could be stretched out.
Can't dig up soil - tanks too close.
Have to use vapor extraction

Anchem

1. verification of cash -

2. Call CPA - Bulmer

3. Inv. method - Px Inc. FIFO

4. Off Comp. 89 + 88 Lake + Berg Sal + Comm.

5. Why COGS up - Petro price increase

6. Anchem sales How much price

7. Environmental audit - RCRA eff. 12/22/88

8. 1990 Forecast - none prepared

9. Cash flow schedule -

10. Legal suits - Home Club - Insured.

89
Lake $100,000 (89 ...)!
Berg 24,000

~~Tank testing $500 $600/mos~~

~~Tank Testing professional go back [illegible]~~

~~Drill Wells - 6 or 8 applets [illegible] 10k~~

~~Engineering Firm -~~

~~Asphalt - Cement - Spill [illegible] probability~~

Angeles Chem [illegible] LRB
LRB affordable price $11.40 sf $900,000
560 ft [illegible]

~~$1.1 mil [illegible]~~

$1.3 mil 4 spill

$600,000 - $300,000 - not responsible

$300,000 B/E

Hold [illegible]

[illegible] out

[illegible]

Pacific [illegible]

213-944-1599

[illegible]
C. F. [illegible]
[illegible] contractor

Anchem   Locke (Ph) 8/11/89

I   Environmental Contamination, Compliance, Clean-Up

1. Tank testing - Expensing $500-$800/mo in F89 for testing - no leaks?
   - Hired a tank testing professional on hand full time. Sent him to school.
   - Going to drill 6 or 8 exploratory wells to look for remedial. $10K

2. Engineering Consultant - lending support

3. Surface contamination: Property covered with asphalt and concrete. Spill incidence low.

4. McKamon be adjacent property shut down: was like operation but handled acid, chlorinated products. Est $1.1 mil plus clean up for UST, etc. Property for sale.

5. Will not know extent of contamination, clean-up costs until at least Nov, 89 or later. Trying to address problems, comply over extended time.
   Will pay for testing, compliance, clean-up out of cash flow?? What abt cap exp.

BR001655

(2)

II LRB. Land Sale To Enichem

Broker - George Schumacher - $2K arbitrator
(213) 944-1599 knowledgeable

Nearby "clean" land sold for industrial/commercial use @ $11.40/s.f. translates into $900,000 for LRB land clean. LRB partners would be indemnified by Enichem.

Enichem offering $600,000 clean.
Rosenthal (72) could balk.
Financing not arranged.

III Enichem
1. Reiterated that company has stabilized. Made $8K in July. C.F. building with Rosenthal for.

2. 100% Pay-off of terminated ESOP people. Tough to do this year. Maybe in 1990

Amchem   Locke (Ph) 7/25/89

PAR Fund Clean-UP offsetting
"Hidden" clean profits
→ Preparing cash flow schedule

Cash Position going up by
* Annual deps. of $200,000 ($16,000/mo)
* Bond payment finished 9/88
+ Rosenthal pd off Feb 89 on cash basis

7/31/89 Cash position $340,000 $400,000 comfortable
Locke & Borg took out $100,000 ea.

Operations
"Stabilized" Current quarter running at $10.M annual rate
Truck $6M → $6   Getting pt increases
Pack $3M → $4   Still losing industrial business such as
water Aerial told by Eastman Chemical
but picking up small packaging.
"Zolo Tone" lacquer thinner

Prop will be bought by Company
FMV by ind real estate broker
$900,000 "clean"
$300,000 est clean-up costs
BofA $600,000 offer.

BR001657

Froehlich (Cont'd)

II Sales, COGS

In calendar 1988, gallons may have been down abt. 17% yr-to-yr.
Amchem Prices up 12% (Min Spirit 62¢/gal - 80¢

Refinery prices up 12%
Ellis Point bulk product very low margin.

III Misc
a) Stallion Tank Line Fonke & Berg S/H 2 trucks; 2 drivers. Dedicated carrier delivers from refinery to customers into Amchem.

b) Contamination "Rumor" that in closed Van Waters & Rogers (-Univar) plant next door, cost is $1.2 mil just to excavate underground tanks. Similar operation.

c) No major law suits at Home Club f. '88.

d) No citations or problems with local environmental regulators.

FOURTH QUARTER REPORT

Three months ended February 28, 1990

This was a record-breaking year, with sales and earnings reaching all-time highs.

Univar

CORPORATION

TO THE SHAREHOLDERS OF UNIVAR CORPORATION

Results of Operations

Univar completed a record year on February 28, 1990, with both sales and earnings hitting new highs.

Net income for the final quarter of the fiscal year was $5,417,000, or $0.31 per share, up from $4,649,000, or $0.26 per share, for the same period in the prior year.

For the full year, net income reached $21,545,000, or $1.22 per share, on sales of $1,378,864,000. The comparable figures for the prior year were net income of $19,973,000, or $1.13 per share, on sales of $1,307,865,000. All per share data have been adjusted to reflect a two-for-one stock split paid in the form of a 100% stock dividend November 4, 1989, to shareholders of record October 16, 1989.

Our chemical distribution business has been quite stable over the past year. Annual inflation in U.S. prices experienced by Van Waters & Rogers Inc. averaged only 1.6%, with price declines being the general rule in the last four months of the year. U.S. sales volume rose by 6% to $1,182,352,000, and while we have seen (and forecast) little real growth in the U.S. economy, the business is operating at very satisfactory levels.

In Canada, Van Waters & Rogers Ltd. had its second-best year. Sales volume, in Canadian dollars, was down by approximately 1.5%, primarily a result of the termination of a line of high volume, low margin agricultural chemical products.

We find that the chemical distribution business, because it is so diffused throughout the economy, is an excellent current indicator of GNP. Given this close relationship, it was not surprising to see business in Canada adversely affected by a definite slowing of business activity in the eastern provinces in the last half of the year.

Our ChemCare™ activities in the U.S., which constitute the collection, or "reverse distribution," of spent chemicals generated by our customers, experienced substantial growth during the year. ChemCare, which provides a comprehensive service to assist waste generators in the proper handling and disposal of their waste in a legal, environmentally responsible, and safe manner, is well accepted and is growing in accordance with our projections.

While ChemCare earnings have been impacted over the past year by start-up and training costs, we anticipate that this unique service to chemical users will continue to provide a growing and increasingly profitable addition to our business. Introduction of ChemCare into Canada is presently under study.

As the fiscal year closed, we began pilot installation of our new satellite-linked U.S. computer system dubbed "UVX 2000™." After completion of the pilot installation and the necessary adjustments an installation of this complexity always requires, we anticipate installation of the system in all U.S. offices by the spring of 1991.

BR001660

The fact that we have been able to generate record earnings while absorbing the additional cost loads necessary to retain our leadership position in such areas as safety, environmental responsibility, and compliance with a highly complex and rapidly expanding regulatory system, is a tribute to the dedication and capability of Univar employees. Their contribution has been the basic cause of our improving results.

Dividend Declared

At the directors meeting on April 27, 1990, a regular quarterly dividend in the amount of $0.075 per share was declared and was paid June 5, 1990, to shareholders of record May 14, 1990.

Outlook

We see no evidence of significant growth or deterioration in the economies of the U.S. and Canada, and accordingly we do not expect major changes in rates of operation during the upcoming fiscal year.

Changes in our profitability will primarily be the result of the balance of increased costs (resulting from computer installations and increased response costs related to regulatory changes) offset by improvements in efficiency that will come from broader use of UVX 2000 and the increased quality of management information that the system will make available.

Sincerely,

James W. Bernard

James W. Bernard
President and Chief Executive Officer

Univar Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS Unaudited (See Notes)

(In Thousands)	*Feb. 28, 1990*	*Feb. 28, 1989*
Assets		
Current Assets	$275,654	$259,655
Real Properties Held for Sale and Long-term Receivables	29,682	33,671
Property, Plant, and Equipment—net	162,443	135,321
Other Assets	9,629	2,781
	$477,408	$431,428
Liabilities and Shareholders' Equity		
Current Liabilities	$203,714	$195,916
Long-term Debt	116,199	103,432
Deferred Items	25,615	17,352
Shareholders' Equity	131,880	114,728
	$477,408	$431,428

Univar Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME Unaudited (See Notes)

(In Thousands, except share data)	*Three Months Ended Feb. 28* 1990	1989	*Year Ended Feb. 28* 1990	1989
Sales	$317,267	$315,630	$1,378,864	$1,307,865
Cost of Sales	263,459	269,097	1,173,134	1,120,139
Gross Margin	53,808	46,533	205,730	187,726
Gross Margin Percentage	17.0%	14.7%	14.9%	14.4%
Operating Expenses	42,576	37,803	158,662	145,560
Income from Operations	11,232	8,730	47,068	42,166
Other Income (Expense):				
Interest expense	(2,984)	(2,932)	(13,109)	(11,443)
Other income—net	579	1,216	2,073	3,134
Income Before Provision for Taxes	8,827	7,014	36,032	33,857
Provision for Taxes on Income	3,410	2,365	14,487	13,884
Net Income	$ 5,417	$ 4,649	$ 21,545	$ 19,973
Net Income per Share	$ 0.31	$ 0.26	$ 1.22	$ 1.13
Weighted Average Number of Shares Outstanding	17,710,758	17,666,328	17,728,232	17,603,420

Univar Corporation and Subsidiaries

PERCENTAGE CHANGES COMPARED WITH THE SIMILAR PERIOD OF THE PRIOR YEAR

	Three Months Ended Feb. 28, 1990	*Year Ended Feb. 28, 1990*
Sales	1%	5%
Gross Margin Dollars	16%	10%
Operating Expenses	13%	9%
Income from Operations	29%	12%
Net Income	17%	8%

BR00

Univar Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited (See Notes)

(In Thousands)	*Three Months Ended Feb. 28* 1990	1989	*Year Ended Feb. 28* 1990	1989
Cash Flows Provided (Used) by Operating Activities:				
Net income	$ 5,417	$ 4,649	$ 21,545	$ 19,973
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	2,839	3,186	14,383	13,788
Other—net	7,817	258	8,376	(36)
Change in assets and liabilities, net of effect of businesses acquired:				
Accounts receivable	(4,274)	(7,635)	(4,703)	(22,601)
Inventories	7,287	5,167	4,274	5,504
Accounts payable	2,488	(1,602)	5,301	684
Other current assets—net	2,041	(1,874)	757	1,174
Other current liabilities—net	(998)	3,175	6,297	4,815
Net Cash Provided (Used) by Operating Activities	22,617	5,324	56,230	23,301
Cash Flows Provided (Used) by Investing Activities:				
Proceeds from investments	3,624	(1,046)	4,577	2,748
Payment for purchase of investments	1,211	(14,777)	(938)	(15,241)
Additions to property, plant, and equipment—net	(10,867)	5,041	(37,573)	(9,563)
Acquisition of businesses	—	(3,533)	(16,959)	(3,533)
Change in other assets—net	(3,846)	96	603	305
Net Cash Provided (Used) by Investing Activities	(9,878)	(14,219)	(50,290)	(25,284)
Cash Flows Provided (Used) by Financing Activities:				
Short-term borrowing—net	(1,849)	6,954	(8,172)	17,651
Exercise of stock options	(196)	44	78	115
Long-term debt incurred	—	—	35,000	20,000
Reduction of long-term debt	(5,646)	5,210	(22,233)	(31,918)
Payment of dividends	(1,314)	(873)	(4,813)	(3,051)
Net Cash Provided (Used) by Financing Activities	(9,005)	11,335	(140)	2,797
Net Cash Provided (Used)	3,734	2,440	5,800	814
Cash and cash equivalents at beginning of period	9,521	5,015	7,455	6,641
Cash and Cash Equivalents at End of Period	$ 13,255	$ 7,455	$ 13,255	$ 7,455

NOTES:

1. The LIFO method of pricing is used for approximately 85% of the company's inventory. The inventory determination under the LIFO method is made at the end of each fiscal year.
2. Historical share data have been restated to reflect a two-for-one stock split paid in the form of a 100% stock dividend November 4, 1989, to shareholders of record October 16, 1989.

Univar
CORPORATION
1600 Norton Building
801 Second Avenue
Seattle, WA 98104

BR001664

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**For the year ended
February 28, 1989**

Commission file number 1-5858

UNIVAR CORPORATION

A Delaware
Corporation

IRS Employer
No. 91-0816142

801 Second Avenue
1600 Norton Building
Seattle, Washington 98104
Telephone No. (206) 447-5911

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.33⅓ Par Value	New York Stock Exchange Pacific Stock Exchange
9¾% Subordinated Sinking Fund Debentures	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

The aggregate market value of the voting stock held by non-affiliates of the registrant at May 22, 1989 was approximately \$143,700,000.

On May 22, 1989, the registrant had outstanding 8,730,108 shares (excluding treasury shares) of common stock of \$.33⅓ par value, which is the registrant's only class of common stock.

Documents Incorporated by Reference

The Corporation's Annual Report to Shareholders for the fiscal year ended February 28, 1989 (Item 1—Industry Segments of Part 1, Items 5, 6, 7, and 8 of Part II and Item 14 of Part IV)

The Corporation's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (Item 10—Directors Only, and Items 11, 12(b), and 13 of Part III)

PART 1

ITEM 1. BUSINESS

The Company

Univar Corporation was incorporated in September, 1966 to become the successor corporation in the merger of Van Waters & Rogers, Inc. and United Pacific Corporation, both long established companies then doing business in the western United States and western Canada. For the fiscal year ended February 28, 1989, Univar Corporation (Univar, the Company, or the Corporation) and its wholly-owned subsidiaries were involved in the distribution of industrial and agricultural chemicals and related products. Van Waters & Rogers Inc. conducts its operations throughout the United States. Van Waters & Rogers Ltd. conducts its operations throughout Canada.

As of March 1, 1984 the manufacturing divisions of Univar—Penick & Ford, Limited, and Great Western Malting Co.—were spun off to Univar shareholders as a new independent publicly-held company, under the name of PENWEST, LTD. The shares of PENWEST were distributed to Univar shareholders of record February 29, 1984, and trading in these shares subsequently began over-the-counter. Information concerning this distribution is available in the Information Statement Concerning the Distribution of 2,769,520 shares of PENWEST, LTD. Common Stock by Univar Corporation, dated February 17, 1984.

The businesses of Univar also formerly included the industrial distribution of laboratory equipment and supplies, textiles and supplies, and electronic components. The divisions operating this business—VWR Scientific, VW&R Home Furnishings and Acacia—were separately incorporated and the shares of stock of their parent corporation, VWR Corporation, were distributed to shareholders of Univar who were shareholders of record February 28, 1986. Information concerning this distribution is available in the Information Statement Concerning the Distribution of 5,601,730 shares of VWR Corporation Common Stock by Univar Corporation, dated January 31, 1986.

Effective November 1, 1986 Univar acquired, through a transaction accounted for as a purchase, the net assets of McKesson Chemical Co. (MCC), one of the leading national distributors of industrial chemicals. Concurrent with the acquisition, the assets of the former Van Waters & Rogers division in the U.S. were combined with the MCC operations and those activities are now carried on through a wholly-owned subsidiary, Van Waters & Rogers Inc.

MCC had approximately 1,400 employees and generated sales of approximately $604,000,000 in its most recent fiscal year prior to the acquisition, so its acquisition represented an approximate doubling of Univar's business.

The transaction was an extremely important one in the development of Univar—one which doubled the Corporation in size and has made it the largest industrial chemical distributor in North America.

Effective March 1, 1988 the Corporation introduced a new hazardous waste management service in the U.S. called ChemCare™. ChemCare is a new service that allows the Corporation to maximize the use of existing equipment, facilities and chemical handling knowledge by assisting customers in the responsible collection and disposition of their chemical waste streams. It is in essence a reverse distribution process, developed in response to customer demand for help in coping with increasingly complex environmental regulations at the federal, state and local levels.

The Corporation does not, under ChemCare or any other program, actually dispose of chemical waste streams. The Corporation has contracted with EPA permitted hazardous waste disposal sites for that disposal, through incineration, recycling or other means. ChemCare is a service providing its customers logistics management, temporary storage and access to various treatment and disposal technologies.

Distribution is the process by which manufacturers, both large and and small, get their products to many end users in the most economical way. As a distributor of industrial and agricultural chemicals and related products, the Corporation's role is to purchase chemicals from manufacturers in truck, railcar, or tankcar quantities and sell them in smaller quantities to various customers. Univar adds value to its products through superior service, selection, and reliability.

Financial Information About Industry Segments

The Corporation operates principally in one market segment, chemical distribution, through two wholly-owned subsidiaries, Van Waters & Rogers Inc. in the United States and Van Waters & Rogers Ltd. in Canada.

Foreign operations in Canada for each of the last three fiscal years are reported in the Univar Corporation 1989 Annual Report to Shareholders on page 32, under the caption of Note 13. Industry Segment Information is incorporated herein by reference.

Raw Materials

Numerous sources of supply generally exist for nearly all raw materials essential to the business.

Patents, Trademarks and Tradenames

Univar and its subsidiaries own certain trademarks and tradenames. Other than its recently filed ChemCare trademark, Univar does not regard patents or trademarks as being of material importance in its current operations.

Seasonal Business

No material portion of the continuing operations of the Corporation or its subsidiaries is regarded as highly seasonal.

Principal Customers

No segment of the continuing operations of the Corporation is dependent upon a single customer or a few customers, the loss of any one or more of whom would have a material adverse effect on the segment.

Competitive Conditions

In the distribution of chemicals and related products, Van Waters & Rogers Inc. and Van Waters & Rogers Ltd. compete with local, regional and national distributors, as well as manufacturers who sell direct. Although the acquisition of MCC established Univar as the largest industrial chemical distributor in North America, the Corporation faces significant competition from distributors who have a larger market share within local and regional markets as well as from other national distributors.

Research and Development

As a distributor, Univar and its subsidiaries do not engage in research activities relating to the development of new products or the improvements of existing products.

Environmental Regulation

It is not anticipated that compliance with federal, state and local provisions relating to the protection of the environment will have a material adverse effect on capital expenditures, earnings or competitive position of the Corporation or its subsidiaries.

Employees

Two thousand seven hundred two persons were employed by Univar and its subsidiaries as of February 28, 1989.

Backlog

No record of the backlog of orders is maintained.

ITEM 2. PROPERTIES

The Corporation operates from approximately 130 facilities; 116 in the United States and 14 in Canada, with a total of approximately 4,000,000 square feet of combined office and warehouse space, (3,500,000 in the U.S. and 500,000 in Canada) of which 2,900,000 square feet is owned (66 facilities) and the remainder leased.

Listed below are the principal plants and physical properties of the Corporation and its subsidiaries used in the wholesale distribution of industrial chemicals and/or pesticides. The Corporation believes its facilities are in good condition and adequate for its current operations.

VAN WATERS & ROGERS INC.

			Nature of Ownership		
Location	Bldg. Area (Sq. Ft.)	Land Area (Acres)	Owned	Leased	Expiration Date of Lease
Atlanta, GA	86,000	8.6	X		
Chicago, IL (Schaumburg)	55,000	2.8	X		
Cleveland, OH	48,000	5.6	X		
Dallas, TX (Bekay Street)	133,000	9.8	X		
Denver, CO	69,000	4.9	X		
Grand Prairie, TX	49,000	5.0		X	April 1997
Houston, TX (Brisbane Street)	133,000	20.5	X		
Indianapolis, IN	63,000	8.8	X		
Jacksonville, FL	49,000	1.8	X		
Kent, WA	132,000	11.7	X		
Los Angeles, CA (Bonnie Beach)	156,000	9.4	X		
Los Angeles, CA (Jillson Street)	140,000	7.0	X		
Omaha, NE (F Street)	67,000	10.3	X		
Phoenix, AZ	66,000	10.0	X		
Portland, OR (NW Yeon Avenue)	95,000	9.5	X		
Salt Lake City, UT	76,000	4.6	X		
San Jose, CA	186,000	14.6	X		
St. Paul, MN	88,000	9.0		X	September 2002
Spartanburg, SC	78,000	28.2	X		
Toledo, OH (Tracy Road)	48,000	9.4	X		

Other Van Waters & Rogers Inc. properties (owned or leased), which consist mainly of industrial warehouses and related office space:

Albany, NY
Albuquerque, NM
Altoona, PA
Anchorage, AK
Appleton, WI
Augusta, GA
Bakersfield, CA
Beaumont, TX
Bellevue, WA
Bloomington, IL
Boston, MA
Buffalo, NY
Burlington, IA
Carlin, NV
Casper, WY
Charlotte, NC
Chattanooga, TN
Chicago Hts., IL
Chippewa Falls, WI
Cincinnati, OH
Columbus, OH
Corpus Christi, TX
Dallas, TX
Delray Beach, FL
Detroit, MI
El Paso, TX
Eugene, OR
Fairfield, OH
Farmington, NM
Fayetteville, AR
Fort Wayne, IN
Fresno, CA
Geismar, LA
Glendale (Phoenix), AZ
Grand Junction, CO
Grand Rapids, MI
Greensboro, NC
Greenville, NC
Harlingen, TX
Harrisburg, PA
Honolulu, HI
Houston, TX
Kansas City, MO
Kingsport, TX
Knoxville, TN
Lafayette, LA
Las Vegas, NV
Little Rock, AR
Longview, TX
Louisville, KY
Medley, FL
Memphis, TN
Miami, FL
Milwaukee, WI
Mobile, AL
Nampa, ID
Nashville, TN
New Orleans, LA
New Rochelle, NY
Oak Brook, IL
Odessa, TX
Oklahoma City, OK
Omaha, NE
Orlando, FL
Oxnard, CA
Pasco, WA
Philadelphia, PA
Pinehurst, ID
Pittsburgh, PA
Pocatello, ID
Portland, OR
Reno, NV
Richmond, VA
Riverside, CA
Rock Springs, WY
Sacramento, CA
San Antonio, TX
San Diego, CA
Seattle, WA
Sioux City, IA
South Bend, IN
Spokane, WA
Springfield, MO
St. Louis, MO
Tampa, FL
Tampa (PCS), FL
Toledo, OH
Tucson, AZ
Tulsa, OK
Wichita (Mead), KS
Wichita (Mosley), KS
Williston, ND
Woodbridge, NJ

VAN WATERS & ROGERS LTD.

Location	Bldg. Area (Sq. Ft.)	Land Area (Acres)	Nature of Ownership: Owned	Leased	Expiration Date of Lease
Calgary, Alberta, Canada	58,000	4.6	X		
Edmonton, Alberta, Canada	58,000	5.6	X		
Lachine (Montreal), Quebec, Canada	52,000	3.3	X		
Richmond (Vancouver), British Columbia, Canada	93,000	8.7	X		
Weston (Toronto), Ontario, Canada	120,000	11.3	X		
Valleyfield, Quebec, Canada	80,000	23.9	X		

Other Van Waters & Rogers Ltd. properties in Canada (owned or leased), which consist mainly of industrial warehouses and related office space:

Abbotsford, British Columbia
Kelowna, British Columbia
London, Ontario
Red Deer, Alberta
Saskatoon, Saskatchewan
Regina, Saskatchewan
Windsor, Ontario
Winnipeg, Manitoba

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Business Experience Past Five Years(2)	Position Held
James H. Wiborg(1) Chairman and Chief Strategist Director	64	Chairman and Chief Strategist of Registrant	1986-
		Chairman and Chief Executive Officer of Registrant	1983-1986
		President and Chief Executive Officer of Registrant	1966-1983
James W. Bernard President and Chief Executive Officer Director	51	President and Chief Executive Officer of Registrant	1986-
		President and Chief Operating Officer of Registrant	1986-1986
		Executive Vice President of Registrant	1983-1986
N. Stewart Rogers(1) Senior Vice President	59	Senior Vice President of Registrant	1971-
Bevan A. Cates Senior Vice President, Sales, Marketing and Material Management	49	Senior Vice President of Registrant	1989-
		Regional Vice President, Western Region, Van Waters & Rogers Inc.	1987-1989
		Senior Vice President, Los Angeles Area Office, Van Waters & Rogers Division of Registrant	1984-1986
		Vice President and Area Manager, Houston Office, Van Waters & Rogers Division of Registrant	1982-1984
Dick A. Davis Senior Vice President, Operations	50	Senior Vice President of Registrant	1989-
		Vice President of Registrant	1986-1989
		Vice President, Operations and Materials Management, McKesson Chemical Co.	1983-1986
James L. Fletcher Senior Vice President, Environmental and Corporate Affairs	45	Senior Vice President of Registrant	1989-
		Partner, Shilder McBroom Gates & Lucas (attorneys at law)	1981-1989
Nicolaas Samsom Senior Vice President, Finance and Administration	54	Senior Vice President of Registrant	1989-
		Vice President of Registrant	1987-1989
		Vice President Administration and Treasurer, Van Waters & Rogers Ltd.	1973-1987
Albert C. McNeight Vice President President, Van Waters & Rogers Ltd.	57	Vice President of Registrant	1985-
		President, Van Waters & Rogers Ltd.	1985-
		Executive Vice President, Van Waters & Rogers Ltd.	1984-1985
		Vice President, Sales and Marketing, Van Waters & Rogers Ltd.	1974-1984
David C. Gentry Vice President, Human Resources	48	Vice President of Registrant	1986-
		Vice President Human Resources, Van Waters & Rogers Division of Registrant	1984-1986
		Personnel Manager, Van Waters & Rogers Division of Registrant	1973-1984
Barry C. Maulding Corporate Secretary and Director, Legal Services	43	Corporate Secretary of Registrant	1986-
		Director, Legal Services of Registrant	1984-
		General Counsel and Assistant Secretary, Alaska Airlines, Inc.	1975-1984
Gary E. Pruitt Vice President, Treasurer and Assistant Secretary	39	Vice President and Treasurer of Registrant	1989-
		Treasurer of Registrant	1987-1989
		Assistant Treasurer of Registrant	1981-1987
Guenter Zimmer Vice President, Engineering	60	Vice President of Registrant	1984-
		Director, Corporate Engineering of Registrant	1973-1984
David E. Olson Assistant Treasurer	35	Assistant Treasurer of Registrant	1987-
		Vice President Finance and Controller, Wall Data, Inc.	1983-1987

(1) Family Relationships: Robert S. Rogers, a Director, is the brother of N. Stewart Rogers. Robert S. Rogers and N. Stewart Rogers are brothers-in-law of James H. Wiborg.

(2) No arrangement or understanding exists between any officer and any other person pursuant to which he was selected as an officer.

ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in various contractual, warranty and public liability cases and claims which are considered normal to the Corporation's business. The liabilities for injuries to persons or property are generally covered by liability insurance and the deductible portion of the liabilities, where applicable, have been accrued in the Corporation's financial statements.

Univar and related entities have been named as "potentially responsible parties" relative to cleanup costs associated with twenty-one separate waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater pollution. On many of these sites the Corporation could technically be liable for the total costs of cleanup under the principle of joint and several liability. However, with respect to each site numerous other companies are similarly identified, and as a practical matter most of them will share in the clean up costs. In all of these cases, the Corporation is a "small generator" in that the Corporation's volume of waste delivered to the disposal sites represents less than 2% of the total wastes at each site.

Eleven sites owned or formerly owned by the Corporation and one leased site are the subject of separate government proceedings or investigations concerning alleged soil and/or groundwater contamination. With respect to twelve other environmental matters, the Corporation has been or in the future may be asked to contribute to the costs of cleanup.

While the results of the proceedings and claims against the Corporation are not presently determinable, based upon the information presently available, management believes that the amount of losses that might be sustained from these cases is not likely to materially affect the Corporation's financial position or operations in the future.

The Corporation believes it is not practical to purchase broad-based liability coverage for environmental contamination. It has, however, purchased substantial amounts of insurance in excess of a deductible, for certain named environmental perils, and has provided reserves to cover estimated remedial costs. At February 1989 and 1988 the Corporation had reserves for environmental matters of approximately $9,700,000 and $11,300,000, respectively.

As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws will continue to impact the Corporation's operations. For the years 1989 and 1988, the Corporation spent approximately $2,600,000 and $1,600,000, respectively, relating to environmental matters for elective actions and to comply with federal, state, or local environmental regulations.

The Corporation had initiated an arbitration proceeding regarding the final November 1, 1986 purchase price for the net assets of McKesson Chemical Co. During the year a favorable arbitration award was received and a final settlement made. Under the terms of the settlement, McKesson Corporation agreed to adjust the purchase price of the net assets of McKesson Chemical Co., by $8,650,000. This reduced the cash portion of the purchase price of McKesson Chemical Co. from $76,221,000 (as previously reported by the Registrant in its Form 8-K Current Report dated November 14, 1986) to $67,571,000. The adjustment included $4,614,000 which had previously been recorded by the Registrant (See Form 8 amendment to Form 8-K dated January 13, 1987).

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Pages 15 and 36 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1989 are incorporated herein by reference.

Security Holders

As of February 28, 1989, there were approximately 2,300 shareholders of record.

Dividends

Page 16 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1989 is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Page 34 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1989 is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity, Capital Resources and Results of Operations

Pages 4 through 16 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1989 are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

Pages 18 through 34 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1989 are incorporated herein by reference.

Selected Quarterly Financial Data

Page 25, Note 4 of the Univar Corporation Annual Report to Shareholders for the year ended February 28, 1989 is incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Identification of Directors, Identification of Executive Officers, Business Experience and Family Relationships

The information required of directors of the Corporation by this item is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

The information required of executive officers of the Corporation by this item is included in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Cash Compensation, Bonuses and Deferred Compensation, Compensation Pursuant to Plans, Pension Table, and Stock Option Plans

The information required by this item is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners, Security Ownership of Management, and Changes in Control

The information required by Item 12 is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Management and Related Transactions, Certain Business Relationships and Indebtedness of Management

The information required by Item 13 is incorporated by reference to the Corporation's definitive Proxy Statement which the Corporation will have filed with the Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

As noted in Part II, Item 8, the following financial statements have been incorporated by reference from the Corporation's Annual Report to Shareholders for the year ended February 28, 1989.

	Annual Report Page No.
Consolidated Statements of Income	18
Consolidated Statements of Cash Flows	19
Consolidated Balance Sheets	20-21
Consolidated Statements of Shareholders' Equity	22
Notes to Consolidated Financial Statements	23-32
Report of Independent Public Accountants	33

(2) Financial Statement Schedules

(a) Selected Quarterly Financial Data (Unaudited) is incorporated herein by reference from the Corporation's Annual Report to Shareholders for the year ended February 28, 1989. This data is shown in Note 4 on page 25 of the Annual Report.

(b) The following financial schedules are submitted herewith. All other financial schedules are either not applicable or are fully disclosed in the applicable section of the Corporation's Annual Report to Shareholders:

Report of Independent Public Accountants—Arthur Andersen & Co. dated April 21, 1989.
Auditors' Report—Touche Ross & Co. dated April 7, 1989.
Schedule II—Contracts Receivable From Related Parties and Employees
Schedule V—Property, Plant and Equipment
Schedule VI—Accumulated Depreciation and Amortization of Property, Plant and Equipment
Schedule VIII—Valuation and Qualifying Accounts
Schedule IX—Short-Term Borrowings

(b) Reports on Form 8-K

There have been no reports on Form 8-K filed, or required to be filed, during the fourth quarter of the year.

(c) Exhibits

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission, are incorporated herein by reference as exhibits hereto.

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of the Registrant, as amended August 21, 1987.
3.2	By-laws of the Registrant, as amended April 29, 1988.
(4)	Indenture Agreement between The Bank of California, N.A., and Univar Corporation (filed with Registration Statement on Form T-3, File No. 22-7691).
(10.1)	Univar Corporation 1979 Executive Stock Purchase Agreement, as amended (filed with Registration Statement on Form S-3, File No. 33-3933).

Exhibit Number	Description
(10.2)	1981 Stock Option Plan (filed with Registration Statement on Form S-8, File No. 2-98329).
(10.3)	Agreement and Plan of Distribution, between Univar Corporation and PENWEST, LTD. for operations spun-off to shareholders of Univar Corporation common stock as of March 1, 1984 (filed as exhibit 28.3 to Form 8-K dated March 1, 1984, File No. 1-5858).
(10.4)	Agreement and Plan of Distribution between Univar Corporation and VWR Corporation, for operations spun-off to shareholders of Univar Corporation common stock as of March 1, 1986 (filed as exhibit 28.1 to Form 8-K dated March 1, 1986, File No. 1-5858).
(10.5)	Univar Corporation 1986 Long-Term Incentive Stock Plan (filed with Registration Statement on Form S-8, File No. 33-08523).
(10.6)	Agreement for Exchange of Capital Stock, dated as of September 19, 1986 (filed as exhibit 2(i) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.7)	Asset Purchase and Sale Agreement, dated as of September 19, 1986 (filed as exhibit 2(ii) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.8)	First Amendment to Asset Purchase and Sale Agreement, dated as of October 21, 1986 (filed as exhibit 2(iii) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.9)	Addendum to Asset Purchase and Sale Agreement, dated as of October 31, 1986 (filed as exhibit 2(iv) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.10)	Standstill Agreement, dated as of September 19, 1986 (filed as exhibit 4(i) to Form 8-K dated November 1, 1986, File No. 0-2754).
(10.11)	Shareholder Agreements relating to change of control of the Corporation with Messrs. James W. Bernard; Richard E. Engebrecht; M. M. Harris; Curtis P. Lindley; N. Stewart Rogers; Nat S. Rogers; Robert S. Rogers; and James H. Wiborg, dated as of September 19, 1986 (filed as exhibit 4(ii) to Form 8-K dated November 1, 1986, File No. 0-2754).
10.12	Univar Corporation Supplemental Benefits Plan, dated July 9, 1985.
10.13	Agreements relating to compensation in the event of a change in control of the Corporation between the Corporation and Messrs. James W. Bernard; N. Stewart Rogers; Albert C. McNeight; and Robert A. Steinseifer, dated as of March 1, 1986; in addition the Corporation has substantially the same agreement with James L. Fletcher, dated as of May 1, 1989.
10.14	Consulting Services Agreement between the Corporation and Mr. James H. Wiborg, dated as of March 1, 1986.
10.15	Retirement Agreement and Noncompetition Agreement between Univar Corporation and Robert A. Steinseifer, as of March 1, 1988.
13	1989 Annual Report to Shareholders of Univar Corporation (not to be deemed "filed" except with regard to specific sections which have been expressly incorporated herein by reference).
22	Subsidiaries of Registrant.
24.1	Consent of Independent Public Accountants—Arthur Andersen & Co.
24.2	Consent of Independent Public Accountants—Touche Ross & Co.
25	Power of Attorney.
28.1	Undertakings.
28.2	Form 11-K Annual Report for the Univar Corporation Stock Purchase Plan.
28.3	Form 11-K Annual Report for the Univar Corporation Uni$aver Tax Savings Investment Plan.
28.4	Form 11-K Annual Report for the Van Waters & Rogers Ltd./Univar Corporation Stock Purchase Plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNIVAR CORPORATION

JAMES W. BERNARD
James W. Bernard
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 22, 1989

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

NICOLAAS SAMSOM
Nicolaas Samsom
Senior Vice President—
Finance and Administration
(Principal Financial Officer)

Date: May 22, 1989

GARY E. PRUITT
Gary E. Pruitt
Vice President and Treasurer
(Principal Accounting Officer)

Date: May 22, 1989

DIRECTORS:

JAMES W. BERNARD
H. P. H. CRIJNS
RICHARD E. ENGEBRECHT
MARK W. HOOPER
CURTIS P. LINDLEY
ROBERT S. ROGERS
ANDREW V. SMITH
WILLIAM K. STREET
NICO VAN DER VORM
G. VERHAGEN
JAMES H. WIBORG
LOWRY WYATT

By: BARRY C. MAULDING
Barry C. Maulding, Attorney-in-Fact
Power of Attorney dated May 3, 1989

Date: May 22, 1989

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Univar Corporation:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Univar Corporation's annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated April 21, 1989. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in the accompanying index are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. We did not audit the financial statements of the Corporation's wholly-owned Canadian subsidiary, which statements reflect total assets and total revenues constituting approximately 15% of the related consolidated totals. Those statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the reports of the other auditors. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audits and the reports of other auditors referred to above, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Seattle, Washington,
April 21, 1989.

AUDITORS' REPORT

The Shareholder,
Van Waters & Rogers Ltd.

We have examined the consolidated balance sheets of Van Waters & Rogers Ltd. as of February 28, 1989 and February 29, 1988, and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of the Company as at February 28, 1989 and February 29, 1988 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

TOUCHE ROSS & CO.
Chartered Accountants

Vancouver, Canada
April 7, 1989.

SCHEDULE II

CONTRACTS RECEIVABLE FROM RELATED PARTIES AND EMPLOYEES

UNIVAR CORPORATION AND SUBSIDIARIES

	Balance at February 28, 1987				Balance at February 29, 1988				Balance at February 28, 1989	
Description and Name	Current	Noncurrent	Additions	Payments	Current	Noncurrent	Additions	Payments	Current	Noncurrent
Employee Stock Purchase Plan— Contracts receivable, payable quarterly over three years through 1982 and seven annual installments thereafter, commencing in 1984; interest at 6% secured by stock of the Corporation:										
James H. Wiborg	$ 46,250	$138,750	$ —	$ (46,250)	$ 46,250	$ 92,500	$ —	$ (46,250)	$ 46,250	$ 46,250
Richard E. Engebrecht	27,750	83,250	—	(27,750)	27,750	55,500	—	(27,750)	27,750	27,750
Curtis P. Lindley	27,750	83,250	—	(27,750)	27,750	55,500	—	(27,750)	27,750	27,750
N. Stewart Rogers	24,050	72,150	—	(24,050)	24,050	48,100	—	(24,050)	24,050	24,050
Robert A. Steinseifer	12,950	38,850	—	(12,950)	12,950	25,900	—	(12,950)	12,950	12,950
	$138,750	$416,250	$ —	$(138,750)	$138,750	$277,500	$ —	$(138,750)	$138,750	$138,750
Employee Stock Purchase Plan— Contracts receivable, payable quarterly over three years through 1988 and seven annual installments thereafter, commencing in 1989; interest at 9% secured by stock of the Corporation:										
Jerrold B. Harris	$ 33,120	$101,840	$ —	$ —	$ 33,120	$101,840	$ —	$(105,321)	$ 29,639	$ —
Robert A. Steinseifer	9,936	69,552	—	(79,488)	—	—	—	—	—	—
	$ 43,056	$171,392	$ —	$ (79,488)	$ 33,120	$101,840	$ —	$(105,321)	$ 29,639	$ —

SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT

UNIVAR CORPORATION AND SUBSIDIARIES

(Thousands of Dollars)

Classification	Balance at Beginning of Year	Additions: Additions at Cost	Additions: Assets of Company Acquired	Retirements	Other Changes—Add (Deduct)—Describe: Translation Adj (1)	Other Changes—Add (Deduct)—Describe: Other	Balance at End of Year
Year ended February 28, 1989:							
Land	$ 14,966	$ 1,417	$ —	$ (513)	$ 101	$ (711) (4)	$ 15,260
Buildings	50,824	1,285	—	(194)	373	1,500 (2)	53,788
Equipment	108,377	8,414	104	(1,299)	482	(10,833) (2,4)	105,245
Leased property under capital leases	7,493	—	—	(1,058)	—	123 (4)	6,558
Construction in progress	3,299	20,398	—	—	—	(14,876)	8,821
	$184,959	$31,514	$ 104	$(3,064)	$ 956	$(24,797) (4)	$189,672
Year ended February 29, 1988:							
Land	$ 14,146	$ —	$ —	$ (107)	$ 95	$ 832 (2)	$ 14,966
Buildings	52,528	670	—	—	408	(2,782) (2)	50,824
Equipment	83,173	13,856	97	(253)	513	10,991 (2)	108,377
Leased property under capital leases	7,493	—	—	—	—	—	7,493
Construction in progress	8,091	4,236	—	—	—	(9,028)	3,299
	$165,431	$18,762	$ 97	$ (360)	$1,016	$ 13 (3)	$184,959
Year ended February 28, 1987:							
Land	$ 7,392	$ —	$ 6,929	$ (276)	$ 101	$ —	$ 14,146
Buildings	30,724	434	21,010	(107)	434	33 (2)	52,528
Equipment	37,000	6,298	40,634	(1,692)	539	394 (2)	83,173
Leased property under capital leases	3,989	—	3,504	—	—	—	7,493
Construction in progress	1,553	5,995	970	—	—	(427)	8,091
	$ 80,658	$12,727	$73,047	$(2,075)	$1,074	$ —	$165,431

(1) Foreign currency translation adjustments.
(2) Transfer from construction in progress.
(3) Reclassification from other asset accounts.
(4) Reclassification to other asset accounts, including approximately $17,027 to investments.
(5) The annual provisions for depreciation have been computed principally in accordance with the following depreciable lives:

Buildings	10-50 Years
Equipment	3-40 Years
Leased property under capital leases	Lesser of asset or lease life

SCHEDULE VI

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Classification	Balance at Beginning of Year	Additions Charged to Expense	Retirements	Other Changes—Add (Deduct)—Describe: Translation Adj. (1)	Other Changes—Add (Deduct)—Describe: Other	Balance at End of Year
Year ended February 28, 1989:						
Buildings	$ 9,322	$ 1,597	$ (110)	$117	$ 742 (2)	$11,668
Equipment	32,196	11,925	(556)	279	(3,832) (2)	40,012
Leased property under capital leases	1,188	266	(449)	—	1,666 (2)	2,671
	$42,706	$13,788	$(1,115)	$396	$(1,424) (2)	$54,351
Year ended February 29, 1988:						
Buildings	$ 7,360	$ 1,841	$ —	$121	$ —	$ 9,322
Equipment	20,578	11,541	(218)	295	—	32,196
Leased property under capital leases	877	311	—	—	—	1,188
	$28,815	$13,693	$ (218)	$416	$ —	$42,706
Year ended February 28, 1987:						
Buildings	$ 6,120	$ 1,212	$ (84)	$112	$ —	$ 7,360
Equipment	14,550	6,750	(1,003)	281	—	20,578
Leased property under capital leases	655	222	—	—	—	877
	$21,325	$ 8,184	$(1,087)	$393	$ —	$28,815

(1) Foreign currency translation adjustments.
(2) Reclassification to/from other asset accounts, principally investments.

SCHEDULE VIII

VALUATION AND QUALIFYING ACCOUNTS

UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Year
Allowance for losses on receivables for the year ended:					
February 28, 1989	$1,777	$1,040	$ —	$(1,001) (2)	$1,816
February 29, 1988	$1,586	$1,570	$ —	$(1,379) (2)	$1,777
February 28, 1987	$1,200	$1,302	$561 (1)	$(1,477) (2)	$1,586

(1) Reserves acquired in McKesson Chemical Co. acquisition.

(2) Uncollectible accounts written off, net of recoveries.

SCHEDULE IX

SHORT-TERM BORROWINGS

UNIVAR CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Description	Balance at End of Year	Weighted Average Interest Rate	Maximum Amount Outstanding During the Year	Average Amount Outstanding During the Year (3)	Weighted Average Interest Rate During the Year (4)
Year ended February 28, 1989:					
Payable to Banks (1)	$11,500	10.5%	$25,000	$12,475	9.0%
Commercial Paper (2)	$25,000	10.0%	$25,000	$25,000	9.3%
Year ended February 29, 1988:					
Payable to Banks (1)	$ 2,500	7.3%	$21,500	$ 8,297	7.6%
Commercial Paper (2)	$25,000	7.4%	$25,000	$25,000	7.7%
Year ended February 28, 1987:					
Payable to Banks (1)	$ 6,000	7.2%	$15,200	$ 6,450	6.3%
Commercial Paper (2)	$25,000	6.5%	$25,000	$25,000	6.7%

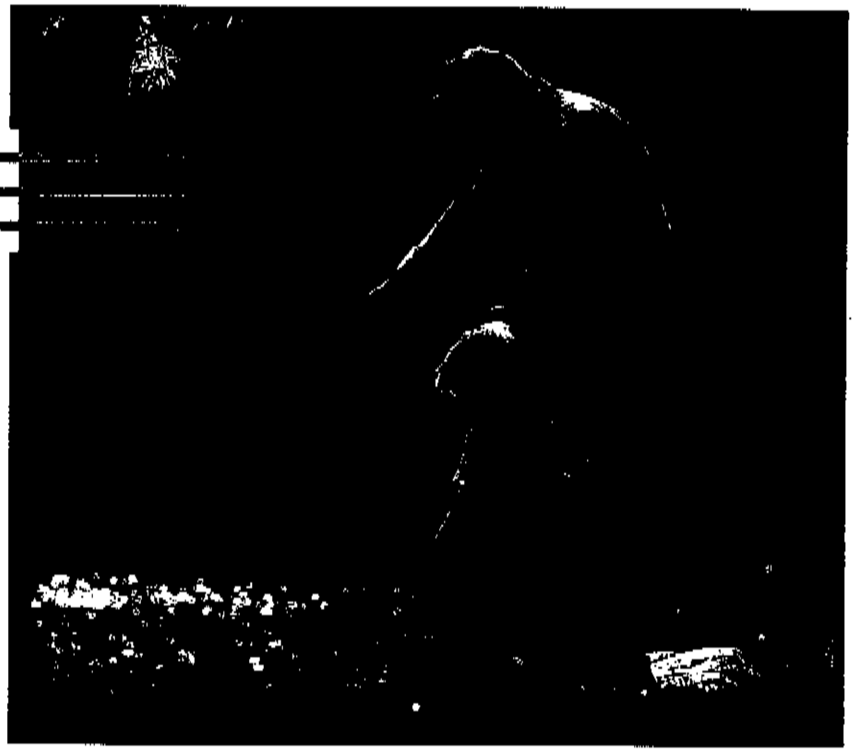
(1) Notes payable to banks represent borrowings under line of credit borrowing arrangements which have no termination date but are reviewed annually for renewal.

(2) Commercial paper generally matures 30-60 days from date of issue with no provisions for the extension of its maturity.

(3) The average amount outstanding during the period was computed by totalling the average outstanding borrowings for each month and dividing by 12.

(4) The weighted average interest rate during the period was computed by dividing the actual interest expense by average short-term debt outstanding.

UNIVAR CORPORATION 1989 ANNUAL REPORT



Effectively meeting our obligation of maximizing shareholder value and helping to ensure a safe, clean environment for generations to come.

Univar
CORPORATION

A Value Growth Company

BR001683

Univar Corporation is a service business engaged in the distribution of a broad range of industrial chemicals. It operates through two subsidiaries, Van Waters & Rogers Inc. in the United States and Van Waters & Rogers Ltd. in Canada.

CONTENTS

COMPARATIVE HIGHLIGHTS

For the Years Ended February 28/29 ("Operations" and "Financial" amounts in thousands of dollars)	*1989*	*1988*	*1987*
Operations			
Sales	$1,307,865	$1,117,309	$693,279
Income before taxes	33,857	21,436	1,495
Provision for taxes on income	13,884	10,273	783
Net income	19,973	11,163	712
Dividends declared	3,489	1,737	1,434
Per Share			
Net income	2.27	1.27	.11
Dividends declared	.40	.20	.20
Book value	13.14	11.08	9.80
Financial			
Working capital	63,739	67,171	51,201
Current ratio	1.33:1	1.40:1	1.36:1
Shareholders' equity	114,728	96,254	85,068
Inventories	97,532	98,635	77,999
Trade accounts receivable—net	143,845	117,535	103,578
Property, plant and equipment—net	135,321	142,253	136,616
Other			
Shareholders at year-end	6,200	6,100	6,066
Employees	2,702	2,546	2,453

James W. Bernard, President and Chief Executive Officer

To the Shareholders:

Last year's annual report emphasized that Univar has entered a period of great opportunity. In the fiscal year ended February 28, 1989, we seized many of these opportunities and improved our ability to meet the challenges of the future. And we did so while generating record earnings.

Net earnings were up 79% to $19,973,000, or $2.27 per share, on sales of $1,307,865,000, a 17% increase. Return on shareholders' beginning net equity reached 20.8%, up from 13.1% for the previous year.

Sales volume throughout our operations has grown significantly over the past three years, moving from $693,279,000 in the fiscal year ended February 28, 1987 (when only a part of the year included the activities of McKesson Chemical Company, which was acquired that year), to $1,117,309,000 in 1988 and $1,307,865,000 in the year just ended.

Significantly, gross margins have held steady throughout this period of sales growth, affording us a rapidly increasing stream of gross-margin dollars during a period when we were attaining increased efficiency.

In recognition of the progress being made, the dividend was doubled from $0.05 to $0.10 per share per quarter, commencing with the dividend payment of June 6, 1988. Subsequent to year-end, on May 3, 1989, the Board of Directors increased the quarterly dividend to $0.15 per share beginning with the dividend which was payable June 6, 1989.

We are in a fortunate position. The chemical industry is growing, the percentage of its output being sold by distributors is increasing, and we anticipate that the number of distributors who share this increasing volume of business will continue to shrink.

But these also are times of growing public concern over the environment and the danger associated with misuse or mishandling of chemicals. Consequently, success in our business requires the effective balancing of dual responsibilities. No longer is it enough to run a profitable, efficient business that earns a solid return on shareholder capital. It also is essential to do so in a safe, environmentally responsible manner.

The cover of this year's annual report features a photograph used in a series of advertisings your company is running in various trade publications. The text of the ads express our concern for safety, quality of environment and quality of life. The photographs, like the one shown on this report, are a reminder of why that concern is so essential.

A great deal of this report will be given over to describing the organizational and operational steps the company has taken and is taking to ensure that we remain effective in meeting our dual obligation of maximizing shareholder value and helping to ensure a safe, clean environment for generations to come.

The public's increasing expectations for consumer and environmental protection and for workplace safety are being expressed in new federal, state and local regulations, as well as by increasingly strict evaluation of our performance in assigning liability for damages arising out of our customers' use of the products we sell them.

As a result, we have increased our educational effort by delivering to our customers documentation on product and usage information prepared by the manufacturers, placing tighter controls on product specifications, pressing for additional manufacturer's technical support, and improving the quality and safety of our own operations.

While these efforts are expensive, our sales volume enables us to spread the costs over our total operations in a much more efficient way than do most competing distributors.

We also see increasing numbers of manufacturers who understand and appreciate the contribution of an effective independent distributor, and who are making greater efforts to support us and direct business to us. These manufacturers are clearly aware that it is in their best interests to rely on distributors with substantial financial and technical capacity, and who have first-class storage and transportation facilities.

The time has passed when a local manager in the chemical distribution business can be expected to provide effective sales leadership *and* maintain expertise and tight control in the environmental, regulatory, data processing and operational functions of the business. To assist these managers, at year-end we announced a series of organizational changes which recognize the company's increasing size and dramatically changed business. Also, in preparation for the installation of our new computer system beginning next fall, certain administrative and accounting functions in the U.S. are being centralized into three regional offices. Vancouver, B.C. will remain the comparable office for our Canadian operations.

At fiscal year end, four new Senior Vice Presidents, each responsible for a defined group of functions, were appointed. The newly elected officers are: Bevan A. Cates, Senior Vice President — Marketing, Sales and Material Management; Dick A. Davis, Senior Vice President — Operations; James L. Fletcher, Senior Vice President — Environmental and Corporate Affairs; and Nicolaas Samsom, Senior Vice President — Finance and Administration.

These officers, together with N. Stewart Rogers, Senior Vice President since 1971, and A.C. McNeight, Vice President of Univar and President of Van Waters & Rogers Ltd. since 1985, constitute the top management group that reports to me. The Management Discussion and Analysis that follows examines subjects of particular importance in each of their areas of responsibility.

In closing, I would like to repeat the thanks I gave to Vice Chairman M.M. Harris at last year's annual meeting. Mr. Harris retired from the Board of Directors in December after reaching our policy retirement age. During his 55 years of service to the company, he earned the respect and friendship of people throughout the company and our industry. His unique contribution has been honored with his election as Director Emeritus.

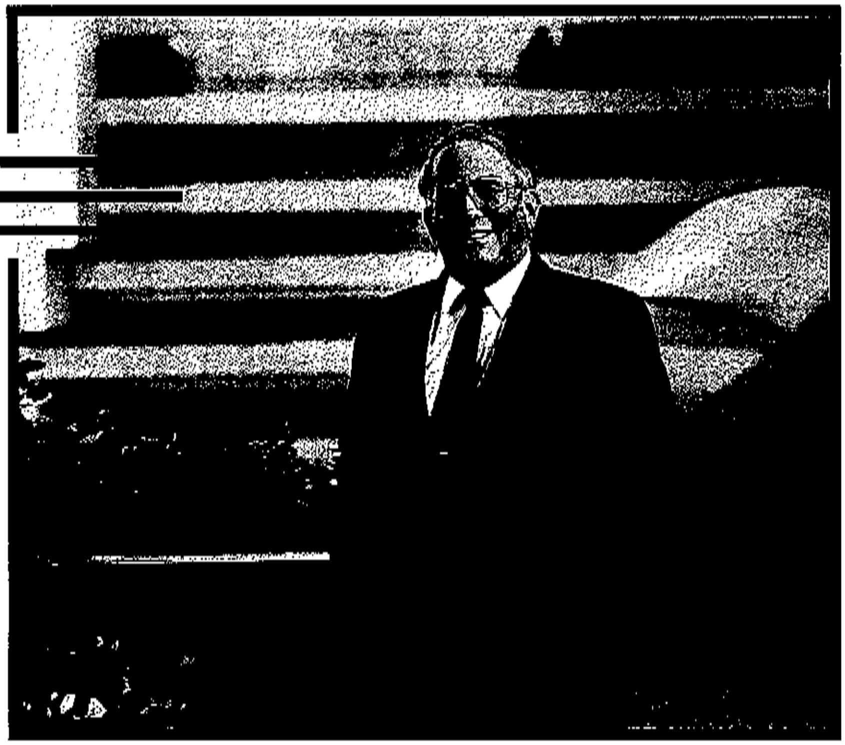
We have again seen substantial change in the year just completed. Many employees have been affected by these changes, which often involved considerable personal sacrifice. However, their enthusiasm for accomplishing the task at hand has made possible the outstanding results for this year and has provided a base for continued future success. I take this opportunity to thank each of them for their outstanding performance.

Sincerely,

James W. Bernard

James W. Bernard
President and Chief Executive Officer

The success of Univar and its subsidiaries is predicated on how well the company is able to meet its responsibilities both to shareholders and to the communities we serve (including our suppliers, customers, employees and neighbors). The Management Discussion and Analysis which follows is presented from the perspectives of the various areas of responsibility of our six senior officers, and focuses on the steps being taken to ensure that these responsibilities are fully met.



Bevan A. Cates, Senior Vice President – Marketing, Sales, Material Management

The three-year period ending February 28, 1989 was one of record performance by almost any measure. Sales, earnings, and return on shareholders' equity were up significantly, as detailed on page 2 of this report. Gross margin percentage throughout this three-year period of growth has held substantially steady, at 14.4% in 1989 and 14.9% in 1988 and 1987. The percentage for the current year was reduced due to a slight shift in our mix of business to a higher proportion of carload business which carries lower gross margins with correspondingly lower expenses.

Both chemical industry output and the percentage of that output being sold through distributors are increasing, and we have been successful in capturing a larger share of that growing market. These trends resulted in every area office of Van Waters & Rogers Inc. attaining increased operating earnings last year.

The three-year period also has seen major increases in our ability to service our customers' requirements. The addition of such services as national account contracting, ChemCare™, and electronic data interchange for "paperless" computer-to-computer transactions are all services that enlarge our opportunities to serve our customer base profitably. These initiatives have been successful because, in every case, they offer solutions to customers' problems.

As an example, ChemCare was started at the beginning of the 1988/89 fiscal year and is expected to be generating revenues at an annualized rate of approximately $14,000,000 by the end of the year ending February 28, 1990. This program, which provides our U.S. customers with reliable and competent collection and disposition of the chemical waste they generate, greatly simplifies the complex regulatory paperwork associated with hazardous waste management. ChemCare has been received nationwide with great enthusiasm.

The support we are receiving from our suppliers continues to grow. They are anxious to support distributors who have the will, the financial capacity, and the technical capability needed to maintain their operations within the requirements of a rapidly escalating and changing regulatory environment.

This support takes such forms as additional technical support for our sales force, cooperation during periods of product shortages, financial and legal support in the defense of certain product liability claims, and help in both setting technical standards and assisting us in the internal audit of the quality and safety of our operations.

As an outside sales represenative, Ken Lambertson spends a lot of time on-site at customers' operations, putting his knowledge of chemicals and the oil and gas industry to work for them.

In December 1988, we strengthened our national capabilities in the sale of pest-control chemicals by acquiring the domestic distribution operations of a leading manufacturer of these items, Southern Mill Creek Products Co., Inc., headquartered in Tampa, Florida. The transaction will add approximately $30 million of annual sales volume in products sold for control of termites, ants, cockroaches, and various turf insects. Our total national sales of these products now approach $100 million per year, making us the leading participant in this highly specialized and tightly regulated market.

Barbara Wilhoit has spent her 35-year career at VW&R in Kansas City providing knowledgeable and helpful service to our customers.

In support of our existing markets, we continue to develop our national accounts program, and have now formed groups of industry specialists within our general sales force. The target industries for these specialists include coatings and ink; chemical compounding; food, pharmaceuticals, and cosmetics manufacturers; and the electronics industry. Each of these industries is a substantial user of chemicals, and the technical information that we are able to obtain as a result of our national contacts is a resource for our customers in solving problems in their production facilities.

Increased emphasis on sales training has also contributed to success in our sales effort. During the year we expanded our capacity to produce and deliver training materials by adding qualified professionals to our staff who have the capability to develop and present training programs targeted at sales and management development. We also have developed training materials and programs for operations personnel and customers.

As senior buyer in Denver, Brad Murphy plays a pivotal role in creating satisfied customers and suppliers.

The new organizational structure announced at year-end will concentrate the policy-making portion of our supplier relationships at the corporate level, and will allow us to define and pursue our objectives in a way that was not possible when negotiations were diffused across scores of local offices. As a result, we see a continuation of the trend toward fewer but much stronger supplier/distributor relationships, with increasing emphasis on mutual cooperation to better serve target markets profitably.

We believe that our Van Waters & Rogers Inc. operations constitute the premiere service and sales conduit available in the U.S. between multi-product sellers and users of industrial chemicals.

Nicolaas Samsom, Senior Vice President — Finance and Administration

To prepare for future growth of the company, early in 1988 we began design of a major new management information system, completing its conceptual design in mid-summer of that year. The characteristics of the planned system were developed in large part by an internal operating committee, which drew talented people from all facets of the business to ensure that the new system will be responsive to existing and future operating requirements. Working within these requirements, accounting and control systems were incorporated into the plan.

The result should be an operating and management tool that will keep us at the forefront of technology while providing better management information. Because the system is operationally oriented, it should provide both customers and suppliers with a host of special service capabilities, including easy electronic data interchange, lot tracking, bar coding and product recall capabilities. These kinds of services, combined with the efficiencies available through automated transaction handling, will provide us with the capacity to maintain our competitive advantage and automatically do much of the paperwork and reporting required by an increasingly complex accumulation of regulations applying to our product lines.

Installation of the new system will commence in late 1989 on an area-by-area basis, and it will be completed in the summer of 1990. Two packages of enhancements to the basic system are currently planned for installation in the latter half of 1990 and in 1991.

During the development stage, most costs relating to the new system have been capitalized into the project. Once the installation begins, computer system costs will be significant but will be offset by new efficiencies in our operations, better working capital management, elimination of excess computing costs associated with our current system, and an ability to handle substantially larger transaction volumes with minimal increases in cost.

To prepare for installation of the new centralized system, the administrative organization for U.S. operations was realigned with the creation of three administrative zones providing accounting, regulatory and other administrative services to the sales and marketing regions. This realignment will enhance consistency and control in our accounting and administrative procedures. Headquartered in Bellevue, Washington; Oak Brook, Illinois; and Spartanburg, South Carolina, the zone administrative offices report to corporate headquarters in Seattle.

(L to R) Carol Johnson, Sharon Baron and Bernice Wishiowicz bring long experience and considerable know-how to accounts payable for the Central zone office.

We also anticipate that within the next 24 months we will move the company's corporate headquarters from our present offices, where we have outgrown available space and now occupy parts of several floors. Although the new location has not yet been selected, we expect to be able to acquire space that will allow for improved efficiency and internal communication.

The realignment of responsibilities has required reassignment of some employees and the addition of others. Your Corporation's affirmative action plan codifies our commitment to equal employment opportunity, and ensures that employment openings are being filled fairly.

During the year just passed, the percentage of gross margin dollars devoted to general and administrative expenses in the U.S. was 36%, compared to 36% in the preceding year and 38% in the year ended February 28, 1987 — a year not

Dick Fischer, field sales rep based in Atlanta, knows the importance of keeping customers happy in person and by phone.

really comparable because of the heavy acquisition expenses included in that period. However, we believe that the changes we are making now will give us the opportunity to reduce these costs as a percentage of gross margin dollars.

Total operating expenses during the past three-year period have increased in dollar terms from $96,733,000 in 1987 to $137,589,000 in 1988 and $145,560,000 in 1989. During this same period, operating expenses as a percentage of sales have declined from 14.0% to 12.3% to 11.1%. Increased business activity and higher employment costs impacted the dollar changes. The percentage decline reflects some of the benefits we foresaw two and one-half years ago, at the time of the McKesson Chemical Co. acquisition.

Margie Windsor (R) in Chattanooga helped make sure Univar's new computer system meets the needs of users across the U.S. — and she's helped train people, including Priscella Pennington, on how to use it.

BR001691

Dick A. Davis, Senior Vice President – Operations

The demand for the safe, consistently responsible use of chemicals has increased dramatically in the last ten years, triggered by increased recognition of the impact their misuse can have on health and the environment.

Our task in the chemical distribution business is to respond to these increased requirements for safety and quality in our handling of chemicals which can be dangerous under certain specific circumstances (true even of such prosaic items as salt and water, both of which we sell), but which are requisites of our modern society.

Over the past two years, we have centralized the responsibility for understanding and complying with a rapidly expanding body of federal, state and local regulations. This responsibility is now discharged at Univar with a central environmental staff which includes engineers, chemists, attorneys, traffic/transportation/warehousing experts, and specialists in training. Representatives of the operations staff are positioned in each of the four regions of the U.S. to apply this body of knowledge to our daily business activities.

This new centralized management structure is needed to provide consistent quality control, and to disseminate to field management the most current information relative to the legal and technical developments related to chemical handling.

We are engaged in an educational process, passing along to our employees, our customers, and the public, the technical and regulatory knowledge that our specialized staff assembles. We believe that this process is the most effective way of accomplishing an optimum risk/reward relationship in the use of our products, while providing our customers with a service which will make us a preferred source for their requirements.

A few examples of the many information-sharing projects undertaken in the past year include:

- The training of 80 Phoenix, Arizona, firemen in chlorine emergency response;
- Development and presentation of a two-day seminar in Columbus, Ohio, on chemical emergency response, with 200 participants from the fire and law enforcement agencies of Franklin County;
- Widespread participation by employees in emergency response planning committees and similar organizations;
- Development of a computer controlled system which automatically produces and delivers to the customer a Material Safety Data Sheet (MSDS) the first time a customer orders a product, and with each subsequent change in the MSDS;
- Under the auspices of the Superfund Amendments and Reauthorization Act of 1986, we have offered city and state governments and emergency response agencies the product information data base that drives the MSDS program.

ChemCare™ is quickly becoming an important service of our business. Developed and launched by the operations staff, ChemCare offers a method for Van Waters & Rogers Inc. to improve the overall stewardship of chemical products. We make it easy for industrial and commercial users of chemicals to properly dispose of spent products or to process waste streams, using financially, technically and legally qualified contractors for transportation and waste management. The contractual, audit and control systems applicable to ChemCare are administered by the operations department.

Tony LaCaze (L) and James Bailey in Houston make sure orders are complete and paperwork is accurate before any shipment leaves VW&R.

As a means of ensuring that transportation of our products on public highways is handled by competent, responsible carriers, we have instituted a rigorous process of identifying the best carriers for our business. The first part of this review has been completed, and a list of approved carriers — those which possess adequate insurance and are properly licensed by state and/or federal agencies — has been issued to all of our U.S. offices. Further selection criteria will focus on the carriers' financial stability, management practices, service performance, and their ability to operate safely.

Our own trucking operation, which consists of approximately 1,200 units, is used primarily to move products from our warehouses to our customers. During the past year, a task force of employees who are experts in transportation was formed to review the operations of this fleet. In addition to the many improved operating practices that were developed as a result of this study, we are now exploring the use of new technology, including on-board computers and truck routing systems to improve the productivity and quality of our fleet so as to enhance customer service in the future.

One result of this review was the development of standardized specifications for our trucks, tractors, trailers and forklifts. These specifications will guarantee consistent quality within the fleet, and will offer substantial savings in purchase price and subsequent maintenance.

In conjunction with the computer development effort described earlier in this report, the operations department has designed several warehouse management improvements which will be available with the introduction of the new computer system. Among the most significant of these will be the provision for coding of products — an enhancement which will increase productivity while further reducing the chance of human error in working with complex chemical names.

The engineering department, which designs and builds most of our plants, has provided us with the best facilities to date in the chemical distribution business. To keep us on the leading edge of new design technology, we are utilizing additional internal expertise as well as outside consultants in the review of plans to meet stricter safety and environmental standards.

Bill Scott makes sure bulk liquid chemicals are received, stored, loaded and delivered safely to customers in the Phoenix area.

We expect to complete a new distribution facility now under construction at Omaha, Nebraska, in the summer, and soon will be breaking ground for a small facility in Helena, Montana. Designs are on the drawing board for a warehouse/office expansion at Tampa, Florida, and for new facilities in Winnipeg, Manitoba; Montreal, Quebec; Windsor, Ontario and Lafayette, Louisiana.

Construction costs will be provided by a combination of available debt capacity and internal cash flow. With depreciation currently running at approximately $14,000,000 per year, we expect to be able to cover this normal replacement and betterment of facilities on an ongoing basis without financial strain.

James L. Fletcher, Senior Vice President — Environmental and Corporate Affairs

The Environmental and Corporate Affairs department was established to consolidate and coordinate the Corporation's efforts relating to the environment, legal issues, real property transactions and public relations, and to provide management support for acquisitions and other such corporate transactions.

Univar's policy of safety and environmental affairs states in part: "Univar is committed to conducting its operations so as to minimize risk to the safety and health of employees, customers, the public and the natural environment." Accomplishment of this very important objective requires a high level of employee awareness and education relating to such areas as technical product knowledge, proper safety procedures, and correct product handling, packaging, labeling and transportation, combined with an overall quality control program designed to ensure excellence in the work place.

While part of this effort is centered in the operations function, one of the most important functions of the Environmental and Corporate Affairs group is to provide awareness and understanding of the various rules and regulations under which the company operates, as well as the particular application of their requirements to our activities. This demands an extremely close interaction between a number of different areas of the Corporation, all working together to build appropriate safeguards into operating procedures so as to ensure that they are technically and legally of the highest quality levels.

Such a coordinated effort also benefits the Corporation's insurance program, which involves the use of substantial deductibles payable by the Corporation before covered claims are payable by the insurance carriers.

Claims either not covered by insurance or subject to the deductible are charged back to operating units, and can have substantial adverse effects on employee compensation. The internal legal staff, operating under the Environmental and Corporate Affairs group, has responsibility for managing these uninsured losses, and is therefore able to provide substantial input as to what additional training, education or precautionary procedures seem appropriate to reinforce the concept of an error-free operation.

If an incident or accident should occur in spite of our efforts to ensure that safe operating conditions are maintained, the Environmental and Corporate Affairs department will oversee any required response action, including preliminary investigations, remedial investigations, and/or feasibility studies. The department will work with the appropriate governmental agencies that may have oversight responsibility, as well as with engineering, consulting or legal experts that may be needed to fully and completely address the issues that confront the Corporation.

There also may be some instances in which the Corporation has properly and legally disposed of unusable product at disposal facilities in the past, only to find that today those facilities are under the auspices of a Superfund cleanup. Here again, the Corporate and Environmental Affairs department will work not only with the designated governmental agency overseeing cleanup of the site, but also will coordinate with other legally responsible parties in an effort to reach a prompt and fair resolution.

Emergency response preparedness was put to the test in San Jose when (L to R) Dennis Prober, Ron Haydel, Fernando Cuevas, Joe Spatafore, Mike Rhoades and Carl Raynor helped the California Highway Patrol deal with a common carrier's chemical spill.

In addition to these functions, Univar's Environmental and Corporate Affairs group will be involved in negotiations with various agencies in connection with the issuance of environmental permits required for the operations of our business.

The department also plays a major role in the acquisition or disposition of real property or business operations. These types of transactions have been complicated greatly in recent years because of the increased risk the current owner or operator faces for liabilities associated with prior environmental or other types of problems, which cannot be completely identified at the time the transaction is completed. A myriad of newly enacted state laws affects property transactions, some even to the degree of prohibiting transfer of property until all environmental issues have been fully addressed. Complete understanding and compliance with these laws is a very complex and difficult task since Univar currently has more than 100 chemical distribution facilities throughout the U.S. and Canada, and is acquiring new locations and expanding existing facilities on an ongoing basis.

Bill Crutcher started with the company 33 years ago as a sales trainee. His dedication and high level of service have not gone unnoticed: he now is area manager for Indianapolis.

Relationships with suppliers and customers are critical for any company, but especially so for a distributor of industrial chemicals. The Corporation's agreements with its suppliers and customers define the rights and responsibilities under which we acquire our products and subsequently distribute them to our customers. Our legal staff, working with the sales and merchandising group, provides consistency in the form of these arrangements to ensure that Univar is not exposed to risks that rightfully belong to either the producer or user of the products we distribute.

The department also coordinates contacts with outside legal counsel and manages the internal legal staff.

While the Corporation faces increasing challenges, we feel that the newly created department of Environmental and Corporate Affairs will greatly help Univar sustain its reputation as a good corporate citizen, and will facilitate its policy of protecting the health and safety of its employees, customers, the public and the natural environment.

Albert C. McNeight, Vice President, Univar; President, Van Waters & Rogers Ltd.

In the fiscal year ended February 28, 1989, our chemical distribution activities in Canada continued a pattern of successful growth, as Van Waters & Rogers Ltd. produced record results for the second consecutive year.

Expressed in Canadian dollars, sales increased to $236,076,000, up 19% from $197,879,000 in the prior year, and up 38% from the $170,930,000 in the year ended February 28, 1987. Gross margins for these three years held approximately steady at 13.5%, 14.1%, and 13.5% respectively, although the addition of agricultural chemical distribution volume acquired in 1987 tended to depress the most recent year's percentage rate of gross margin. Total expenses (excluding taxes) for the past three years have increased with natural growth in the business and with additional efforts in areas such as environmental protection, quality control and safety, all of which have received special attention.

Pre-tax earnings in U.S. dollars were $8,925,000, $6,600,000 and $4,256,000 for 1989, 1988 and 1987, respectively. The increases reflect the effects of substantial sales growth, a decline in operating expenses as a percentage of sales, and the strengthening of the Canadian dollar.

While not a portion of reported earnings, it should also be noted that during the past year Univar shareholders received the benefit of an increase in value of the Canadian dollar, which was the equivalent of approximately $0.83 U.S. at fiscal year end, compared to $0.79 U.S and $0.75 U.S. in 1988 and 1987, respectively.

The Canadian economy was strong throughout the year, and past periods' investments in organization and service capability have provided excellent returns. All areas of the Canadian company participated in our development of record earnings for the year, and we feel optimistic regarding the upcoming months.

The Free Trade Agreement between the U.S. and Canada, ratified during 1988, should be beneficial to our business. We believe that it will tend to further stimulate the Canadian economy, and that it will provide opportunities for more cooperation with the U.S. operations of Van Waters & Rogers Inc.

Susan Ives has made VW&R Ltd. a well-known entity in British Columbia through her commitment to service on the job and her involvement in business organizations such as the Chamber of Commerce.

The year just ended was our first full year of ownership of the operations of King-Agri, an agricultural chemical distributor operating in the prairie provinces. Acquired mid-1987, King-Agri's operations added significantly to our earnings, and supplemented our industrial chemical activities in Manitoba and Saskatchewan to a level that now allows us to plan for new office, warehouse and tank farm operations in Winnipeg. To handle the growth that we project, plans also are being drawn for a new facility in Montreal and for our first company-owned office and warehouse in Windsor, Ontario, where we have historically operated out of public warehouses.

To continue our growth and maximize the opportunities we see developing, we are implementing a new organizational structure. In May 1988, Paul Hough, who has been with the company for 29 years, was elected Vice President with responsibility for Western Canada. Subsequent to year-end, Hans Walser, a 30-year employee, was named Vice President–Eastern Canada, with parallel responsibilities for Canadian offices east of Winnipeg.

Our growth has reached the point where we now plan to appoint industry specialists within the sales force who will lead our efforts to bring improved support and value — and added services — to our suppliers and customers in specific targeted industries.

Nick Rutigliano, warehouse foreman in Vancouver, has brought innovation to each position he has held in his 32 years with the company.

This year's operations included a major effort to ensure full compliance with a rapidly growing body of safety and environmental regulations. We are currently a leader in this effort and intend to remain in that position. Having borne a considerable amount of one-time expense related to safety and environmental issues during the past year, we anticipate a leveling off of this expense load in the coming years.

N. Stewart Rogers, Senior Vice President

In concluding this Management Discussion and Analysis, and in keeping with the emphasis on long-term development and profitability that has been a consistent tenet of the directors and management of Univar, it is helpful to look back at where we have been over the last three years, and also to look forward at our objectives.

Three years ago Univar had just completed the tax-free spin-off of all of its activities not directly involved in chemical distribution. This transaction reduced the size of the company by approximately half, taking net equity to $45,000,000, and leaving ongoing sales at a rate of approximately $550,000,000 per year. However, it also allowed complete concentration on the increasingly complex problems of coping with the expanding regulation of chemical products, new theories of product liability, the absence of availability of many kinds of insurance, and increasing demand for the broad dissemination of technical and health-related information to all parts of the public that might use or be exposed to chemicals.

Within weeks after the spin-off, we were engaged in negotiations which ultimately led to the acquisition of the assets of McKesson Chemical Co., and to the introduction of Pakhoed Holding N.V. as a major shareholder in exchange for providing a substantial part of the acquisition financing.

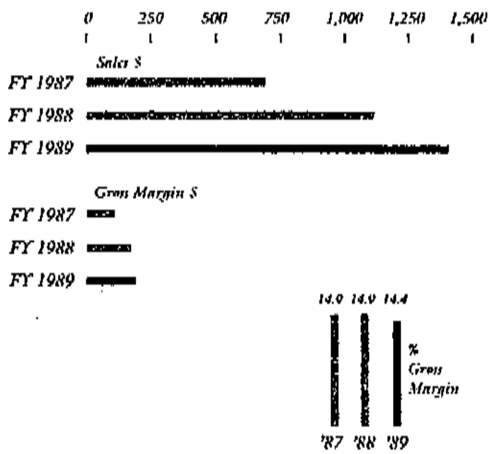
This acquisition more than doubled our U.S. rate of sales and, adding the McKesson Chemical Co. sales volume from the November 1, 1986 acquisition date, brought total sales volume for the fiscal year ended February 28, 1987 to $693,279,000. Profitability suffered in the fourth quarter of that year as we incurred major acquisition-related expenses and provided reserves for additional one-time expenses that would occur in the consolidation of the two operations. These one-time charges produced a substantial loss in the fourth quarter of the fiscal year ended February 28, 1987 and reduced earnings for that year to $712,000, or $0.11 per share.

In the fiscal year ended February 1988, our major concerns were the development of consolidated internal control and accounting systems and the maintenance of our service capabilities so as to preserve the sales momentum of the two businesses as they went through the physical consolidation process. While expensive, these efforts were successful, and sales volume that year grew to $1,117,309,000.

A major review of the environmental status of each of our facilities was undertaken, and reserves were established to recognize these and other environmental exposures. Although total charges to earnings during the year for these reserves were $6,000,000, earnings increased to $11,163,000, or $1.27 per share, for the fiscal year ended February 29, 1988.

In the most recent year, emphasis shifted to internal operations and to a major tightening of liability control, environmental protection, and safety and quality control. While these efforts represented an increased level of expense, charges for environmental reserves and expenses dropped to a more normal rate. As can be seen from the accompanying chart of quarterly earnings (on page 16), the results were dramatically improved earnings, which were also bolstered by continuing good business conditions. The continued success of new sales and marketing programs, combined with good business conditions, increased consolidated sales to $1,307,865,000. Total earnings rose to $19,973,000, or $2.27 per share. Increased sales reflect actual volume increases of approximately 9% combined with the effect of general price increases of approximately 8%, to yield a 17% increase in sales dollars from the prior year.

SALES AND GROSS MARGIN
(millions of dollars)



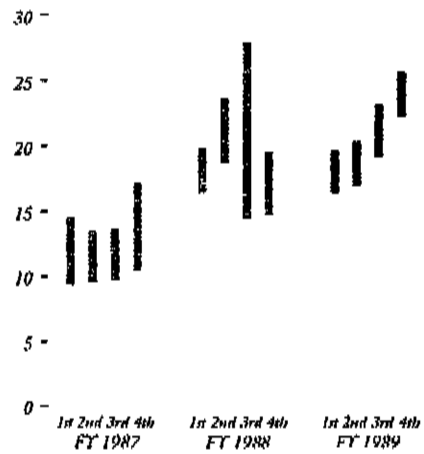
For detail, see Note 4.

Higher average borrowing costs during the last two years, and particularly in the most recent year, resulted in an increase of approximately $1,100,000 in interest costs over the prior year and $5,200,000 over two years ago.

Interest on borrowed capital, although increasing in dollar terms, has declined as a percentage of sales dollars. Net earnings and cash flow have allowed us to reduce our total interest-bearing debt to equity ratio to .98:1 at February 28, 1989 from 1.23:1 at February 28, 1987. Anticipating increasing interest rates, the Corporation entered into a seven-year fixed rate term loan at 9.84% during the first part of the year. The transaction had the effect of limiting the Corporation's exposure to further interest rate increases and capping the interest payments associated with $20,000,000 in capital. In addition, this freed up additional excess borrowing capital under existing revolving credit agreements.

As discussed in last year's annual report, we continue to have a substantial volume of excess capital not actively employed in the business. When redeployed, this capital will allow us to further reduce borrowing levels and associated interest costs. Principal among these items are a parcel of land in Southern California, purchased during the most recent year as the site for a new and expanded Los Angeles facility, and a distribution facility in Dallas, Texas. As discussed in the fourth quarter report, we anticipate selling the Los Angeles property during the coming year. In addition, several other excess facilities are available for future sale.

STOCK PRICE
(by quarter, in dollars)



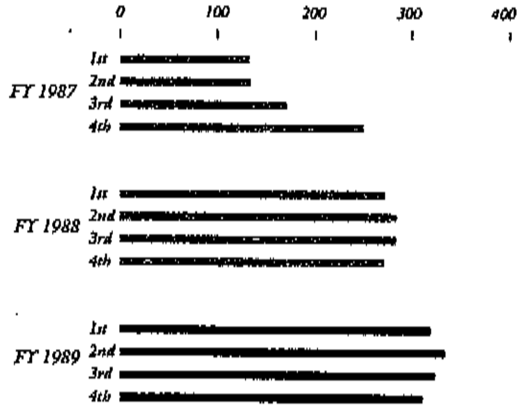
Cash flow from operations for the current year was $23,301,000 as compared to $26,065,000 and $13,254,000 for 1988 and 1987, respectively. This flow was substantially impacted by increased net income and depreciation during the past two years.

The Corporation has maintained existing credit facilities in excess of current requirements. These credit facilities, combined with cash flow from operations and the proceeds from the sale and disposal of excess capital will, in management's opinion, provide adequate funding for the anticipated short and long-term growth requirements of the Corporation's balance sheet.

The investment community has acknowledged the progress made in this three-year period, and the price of Univar shares has risen consistently, with the exception of a short, steep decline immediately following the October 1987 market collapse. At February 28, 1989, the closing price of Univar shares on the New York Stock Exchange was $25.25, compared to a closing price approximately three years earlier of $9.88 — an increase of 156%. During this same period of time, the Dow Jones Industrial Average increased from 1,819 to 2,258, a 24% increase.

The increase in Univar share price was driven in large part by the increasing return on equity. That return (measured against beginning equity) rose from its low of 1.6% in 1987, to 13.1% in fiscal year ended 1988, and to 20.8% in the year just ended. During the same period, net equity of the corporation has risen from the beginning point of $45,000,000, or $8.03 per share, to $114,728,000, or $13.14 per share.

SALES
(by quarter, in millions of dollars)



For detail, see Note 4.

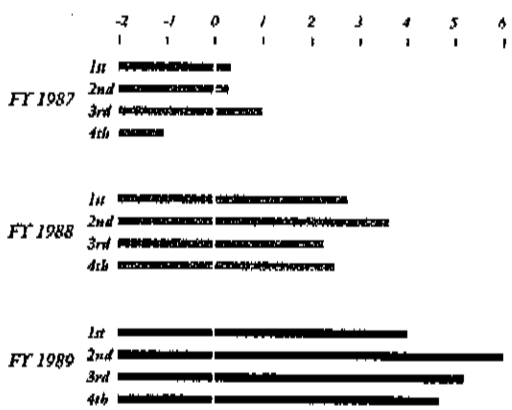
Simultaneously, our balance sheet has improved in the ratios by which we judge our progress, and at February 28, 1989, all major elements of our financial statement were well within target ranges.

All in all, we have experienced three years of exceptional progress.

Reflecting this progress, the $0.05 per share per quarter dividend set at the time of the 1986 spin-off of VWR Corporation was doubled to $0.10 effective with the dividend paid June 6, 1988. Based on their confidence in the continued strong performance of the company, on May 3, 1989 the Board of Directors increased the quarterly dividend rate to $0.15 per share, beginning with the dividend payable June 6, 1989.

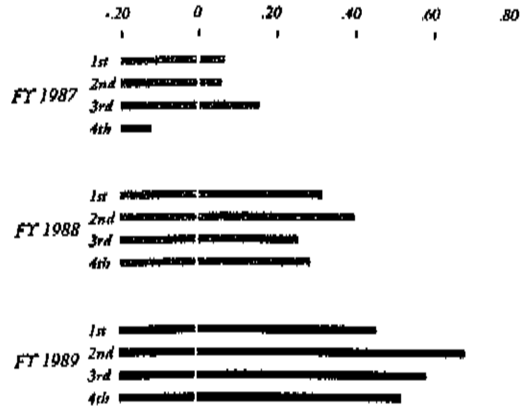
Dividend rates, which had been deliberately kept low during the past three years, are reviewed regularly. The financial progress reported here has given the directors enhanced flexibility in setting dividend payout rates.

EARNINGS
(by quarter, in millions of dollars)



For detail, see Note 4.

NET EARNINGS PER SHARE
(by quarter, in dollars)



For detail, see Note 4.

The financial figures are, however, only the *result* of what has been accomplished in developing a more efficient and focused organization. We have achieved many of the benefits of increased size, and have been able to do so without sacrificing a clear view of our standards and our goals.

Looking to the future, we see continuing opportunity to earn an improved share of our growing market. Our capacity to respond accurately and promptly to the demands of our customers will be enhanced by new management information systems due for installation this year, by improved and broadened training programs, and by the combination of the best of two corporate cultures, each of which is contributing to our increased ability to solve problems for both our customers and suppliers.

On the assumption that the U.S. economy will remain relatively stable, enabling us to continue to build on our past three years' accomplishments in improving efficiency and increasing our market share, we look forward to another increase in earnings in the coming year.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended February 28/29 (Thousands of dollars, except per share data)	*1989*	*1988*	*1987*
Sales	$1,307,865	$1,117,309	$693,279
Cost of Sales	1,120,139	950,464	589,904
Gross Margin	187,726	166,845	103,375
Operating Expenses	145,560	137,589	96,733
Income from Operations	42,166	29,256	6,642
Other Income (Expense):			
Interest on borrowed capital (Note 1)	(11,443)	(10,315)	(6,198)
Gain (loss) on sale of assets	(152)	526	(147)
Other—net	3,286	1,969	1,198
Income Before Provision for Taxes on Income	33,857	21,436	1,495
Provision for Taxes on Income (Notes 1 & 8)	13,884	10,273	783
Net Income	$ 19,973	$ 11,163	$ 712
Net Income per Share (Note 1)	$ 2.27	$ 1.27	$ .11

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended February 28/29 (Thousands of dollars)	*1989*	*1988*	*1987*
Cash Flows Provided (Used) by Operating Activities			
Net income	$19,973	$11,163	$ 712
Adjustments to reconcile net income to			
net cash provided (used) by operating activities:			
Depreciation and amortization	13,788	13,693	8,184
Deferred taxes on income	1,703	(2,743)	(2,202)
Deferred liabilities and credits	(1,657)	2,752	3,665
Other—net	(82)	415	163
Change in assets and liabilities, net of effect of businesses acquired			
Accounts receivable	(22,601)	(13,957)	18,081
Inventories	5,504	(20,636)	3,314
Accounts payable	684	22,152	(4,351)
Other current assets—net	1,174	921	135
Other current liabilities—net	4,815	12,305	(14,447)
Net Cash Provided (Used) by Operating Activities	23,301	26,065	13,254
Cash Flows Provided (Used) by Investing Activities			
Proceeds from investments	2,748	1,188	5,668
Payment for purchase of real properties held for sale and investments	(15,241)	(3,465)	(549)
Additions to property, plant and equipment—net	(9,563)	(17,745)	(10,953)
Acquisition of business	(3,533)	—	(76,200)
Change in other assets	305	(189)	383
Net Cash Provided (Used) by Investing Activities	(25,284)	(20,211)	(81,651)
Cash Flows Provided (Used) by Financing Activities			
Short-term borrowing—net	8,982	(3,645)	784
Exercise of stock options	115	64	—
Long-term debt incurred	20,000	15,397	60,049
Reduction in long-term debt	(31,918)	(2,823)	(22,404)
Payment of dividends	(3,051)	(1,737)	(1,434)
Proceeds from issuance of common stock	—	—	25,434
Purchase of treasury stock	—	—	(640)
Net Cash Provided (Used) by Financing Activities	(5,872)	7,256	61,789
Net Increase (Decrease) in Cash	(7,855)	13,110	(6,608)
Cash (bank checks outstanding less cash in bank) at beginning of year—net	6,641	(6,469)	139
Cash (Bank Checks Outstanding Less Cash in Bank) at End of Year—net	$ (1,214)	$ 6,641	$(6,469)
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest (net of capitalized interest)	$10,638	$10,323	$ 5,976
Income taxes	13,115	8,019	1,985

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

February 28/29 (Thousands of dollars)	*1989*	*1988*
Assets		
Current Assets		
Cash	$ 7,455	$ 6,641
Receivables—		
Trade accounts (less allowance for losses of $1,800 in 1989 and 1988)	143,845	117,535
Other	8,132	11,035
Inventories (Note 2)	97,532	98,635
Prepaid expenses and other assets	2,691	818
Total current assets	259,655	234,664
Real Properties Held for Sale and Long-Term Receivables (Note 3)	33,671	16,410
Property, Plant and Equipment (Notes 1, 3 & 10)		
Land	15,260	14,966
Buildings	53,788	50,824
Equipment	105,245	108,377
Leased property under capital leases	6,558	7,493
Construction in progress	8,821	3,299
	189,672	184,959
Less accumulated depreciation	54,351	42,706
Net property, plant and equipment	135,321	142,253
Other Assets	2,781	1,340
	$431,428	$394,667

The accompanying notes are an integral part of these statements.

	1989	1988
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank checks outstanding less cash in bank	$ 8,669	$ —
Notes payable (Note 9)	11,777	2,795
Current portion of long-term debt	2,464	2,787
Accounts payable	140,463	134,980
Accrued payroll and other liabilities	32,543	26,931
Total current liabilities	195,916	167,493
Long-Term Debt, less current portion (Notes 3, 9, 10 & 12)	103,432	115,350
Deferred Items		
Deferred taxes on income (Notes 1 & 8)	817	(886)
Other deferred liabilities and credits (Notes 1 & 12)	16,535	16,456
Total deferred items	17,352	15,570
Commitments and Contingencies (Notes 10 & 12)		
Shareholders' Equity (Notes 1 & 5)		
Preferred stock, no par value, authorized 750,000 shares	—	—
Common stock, par value $.33-1/3 per share		
Authorized—14,000,000 shares		
Issued—10,059,251 shares in 1989 and 10,028,074 shares in 1988	3,354	3,343
Additional paid-in capital	42,059	41,470
Retained earnings	78,938	62,454
Cumulative translation adjustment	1,311	(224)
Treasury stock, at cost, 1,329,143 shares in 1989 and 1,340,518 shares in 1988	(10,055)	(10,135)
Deferred stock compensation expense	(879)	(654)
Total shareholders' equity	114,728	96,254
	$431,428	$394,667

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Three Years Ended February 28, 1989 (Thousands of dollars)	*Common Stock*	*Additional Paid-in Capital*	*Retained Earnings*	*Cumulative Translation Adjustment*	*Treasury Stock*	*Deferred Stock Compensation Expense*	*Total Share-holders' Equity*
Balance, February 28, 1986	$2,298	$ 1,729	$53,750	$(3,275)	$ (9,502)	$ —	$ 45,000
Net income	—	—	712	—	—	—	712
Acquisition of McKesson Chemical Co. (3,053,000 shares)	1,018	38,862	—	—	—	—	39,880
Purchase of 50,100 shares treasury stock	—	—	—	—	(640)	—	(640)
Cash dividends declared at $.20 per share	—	—	(1,434)	—	—	—	(1,434)
Stock awards (74,259 shares)	24	787	—	—	—	(811)	—
Foreign currency translation adjustment	—	—	—	1,467	—	—	1,467
Deferred stock compensation expense	—	—	—	—	—	83	83
Balance, February 28, 1987	3,340	41,378	53,028	(1,808)	(10,142)	(728)	85,068
Net income	—	—	11,163	—	—	—	11,163
Exercise of stock options	2	55	—	—	7	—	64
Stock awards (1,900 shares)	1	37	—	—	—	(38)	—
Cash dividends declared at $.20 per share	—	—	(1,737)	—	—	—	(1,737)
Foreign currency translation adjustment	—	—	—	1,584	—	—	1,584
Deferred stock compensation expense	—	—	—	—	—	112	112
Balance, February 29, 1988	3,343	41,470	62,454	(224)	(10,135)	(654)	96,254
Net income	—	—	19,973	—	—	—	19,973
Exercise of stock options	—	35	—	—	80	—	115
Stock awards (32,374 shares)	11	554	—	—	—	(565)	—
Cash dividends declared at $.40 per share	—	—	(3,489)	—	—	—	(3,489)
Foreign currency translation adjustment	—	—	—	1,535	—	—	1,535
Deferred stock compensation expense	—	—	—	—	—	340	340
Balance, February 28, 1989	$3,354	$42,059	$78,938	$ 1,311	$(10,055)	$(879)	$114,728

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1
Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all significant subsidiaries. Intercompany balances and transactions have been eliminated.

Translation of Canadian Currency

The accounts of the Canadian subsidiary are translated in accordance with Statement of Financial Accounting Standards No. 52, which requires that foreign currency assets and liabilities be translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment in shareholders' equity. Realized gains and losses from foreign currency transactions are included in net income for the period.

Property, Plant & Equipment

Expenditures for property, plant and equipment and for renewals and betterments which extend the originally estimated economic lives of assets are capitalized at the related cost. Expenditures for maintenance, repairs and other renewals are charged to expense. The Corporation's property accounts are maintained, for the most part, in multiple asset accounts. In the case of normal dispositions, the cost of property sold or retired is removed from the property account and charged to accumulated depreciation and no gain or loss is recorded. In the case of significant dispositions, gain or loss is recognized.

For financial reporting purposes, depreciation has been provided using the straight-line method over the estimated useful lives of the related assets. For income tax purposes, depreciation on certain assets is computed using accelerated methods.

In accordance with Statements of Financial Accounting Standards No. 34 and 62, interest costs have been capitalized on major construction projects while in progress. Interest costs of $738,000, none, and $75,000 for fiscal years 1989, 1988 and 1987, respectively, have been capitalized in the cost of new facilities.

Self-Insurance Reserves

The Corporation retains certain exposures in its insurance plan under various deductible or self-insured programs. Reserves for claims made are recorded at estimated costs as current liabilities. Reserves for estimated claims incurred but not yet reported are recorded as deferred credits.

Income Taxes

Income taxes are provided for all items included in the consolidated statements of income regardless of the period when such items will be deductible for tax purposes. The principal timing differences between financial and tax reporting arise from depreciation, self-insurance reserves and environmental reserves. Investment tax credits have been recognized under the flow-through method, as a tax reduction in the year in which they became available.

Accumulated undistributed earnings after taxes for the Canadian subsidiary amounted to approximately $35,800,000 at February 28, 1989. No provision for Canadian withholding or United States federal income taxes is necessary, as it is management's intention that dividends will be paid only under circumstances which will not generate additional net tax cost.

Earnings Per Share

Earnings per common share are based on the weighted average number of shares outstanding during each year (8,801,710 for 1989, 8,764,343 for 1988, and 6,686,885 for 1987). There is no material dilution due to outstanding stock options.

Statement of Cash Flows

The Corporation considers cash on hand, certificates of deposit and short-term marketable securities as cash for purposes of the statements of cash flows. The effect of changes in foreign exchange rates on cash balances is not significant. Certain reclassifications have been made to the prior years' amounts to conform to the current year's presentation.

[redacted]

Note 2
Inventories

Inventories consist primarily of finished goods. The method of valuation of inventories at balance sheet dates was as follows:

(Thousands of dollars)	*1989*	*1988*
At Cost (last-in, first-out method)	$79,256	$82,661
At Lower of Cost or Market (average cost method)	18,276	15,974
	$97,532	$98,635

If the inventories valued on the LIFO method had been valued at first-in, first-out (FIFO) costs, they would have been $22,035,000 and $14,465,000 higher than reported at February 28, 1989 and February 29, 1988, respectively.

Note 3
Long-Term Debt and Revolving Credit Agreement

The long-term debt of the Corporation and its subsidiaries at balance sheet dates was as follows:

(Thousands of dollars)	*1989*	*1988*
Senior Debt		
Industrial revenue bonds, 72% of bank's prime, secured by certain real property, payable in installments to 1994	$ 8,400	$ 9,450
Industrial revenue bonds, 9.13 to 11.15%, secured by certain real property, payable in installments to 1993	3,150	3,600
Industrial revenue bonds, 6.25 to 7.25%, secured by certain real property, payable in installments to 1998	2,500	2,625
Revolving credit agreement	30,000	60,000
Term credit agreement, 9.84%, unsecured, payable in equal annual installments from 1991 to 1995	20,000	—
Reclassified short-term debt (Note 9)	25,000	25,000
Other	890	747
Subordinated Debt		
9.75% subordinated sinking fund debentures, payable in installments to 1999, net of unamortized debenture discount	2,197	2,342
Subordinated note, at prime rate, secured by certain real property, payable in installments of $200,000 per year with balance due in 1991	7,740	7,940
Capitalized Lease Obligations		
5.09 to 11.75%, secured by certain real property, payable in monthly installments to 2017	6,019	6,433
	105,896	118,137
Less current portion	2,464	2,787
Net long-term debt	$103,432	$115,350

Maturities of long-term debt for the fiscal years ending 1991-1994 are as follows:

1991	13,034
1992	5,357
1993	5,381
1994	5,192

In connection with certain industrial revenue bonds, funds totalling approximately $500,000 at February 28, 1989 are invested through a trustee, restricted for use in specific construction projects, and are included in real properties held for sale and long-term receivables on the balance sheet.

Through a revolving credit agreement with a group of banks, the Corporation and its subsidiary, Van Waters & Rogers Inc., may borrow up to $95,000,000 at prime rate, certificate of deposit rate plus 7/8% or LIBOR plus 7/8%, at the Corporation's option. The commitment reduces by $10,000,000 on March 1, 1990 and 1991, and expires on December 31, 1993. The agreement also requires collected balances of 5% on outstanding balances, or the payment of fees in lieu thereof, and fees of 3/8% on unused commitments.

The long-term debt instruments include provisions specifying minimum current ratio, tangible net worth, debt/tangible net worth ratios and net tangible assets/debt ratios. Under the most restrictive of the financial ratios, the Corporation's tangible net worth cannot be less than $77,000,000.

VWR Corporation, in connection with its spin-off on February 28, 1986, continues to guarantee approximately $7,740,000 of the Corporation's subordinated long-term debt.

Note 4
Quarterly Financial Data (Unaudited)

(Thousands of dollars, except per share data)	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
1988/1989				
Sales	$323,973	$339,419	$328,843	$315,630
Gross Margin	45,308	47,919	47,966	46,533
Net Income	4,070	6,042	5,212	4,649
Net Income Per Share	.46	.69	.59	.53
1987/1988				
Sales	$275,146	$285,173	$284,307	$272,683
Gross Margin	41,799	44,515	42,415	38,116
Net Income	2,769	3,611	2,254	2,529
Net Income Per Share	.32	.41	.26	.29
1986/1987				
Sales	$133,495	$134,583	$173,464	$251,737
Gross Margin	19,129	19,346	25,808	39,092
Net Income (Loss)	382	319	1,040	(1,029)
Net Income (Loss) Per Share	.07	.06	.16	(.12)

Note 5
Stock Options and Restricted Stock Awards

The Corporation's Stock Option Plan adopted in 1982 provides for the granting of options to officers or key employees to purchase Common Stock. For incentive stock options the option price cannot be less than the fair market value of the Common Stock at the date of grant. Non-qualified stock options may be granted at less than the fair market value of the Common Stock. Options become exercisable at the rate of 20 percent per year beginning two years after the date of grant, and expire ten years after the date of grant. The maximum number of shares available for issuance under the Plan is 122,464.

The Corporation's 1986 Long-Term Incentive Stock Plan provides for the granting to officers and key employees of non-qualified stock options, incentive stock options, and restricted stock awards. The terms of grant for non-qualified and incentive options are similar to the 1982 Plan; however, options may be exercisable as determined by the committee of the Board which administers the Plan. Restricted Stock Awards (RSAs) may be granted or sold to key employees for not less than the aggregate par value of the shares covered by the award. RSAs may not be sold or otherwise disposed of during the established restriction period. The maximum number of shares available for issuance under the Plan is 350,000.

During the year the Corporation granted Restricted Stock Awards (RSAs) of 32,374 shares of stock to certain key employees pursuant to the 1986 Long-Term Incentive Stock Plan. The market price at the date of grant was $17.44 per share. As of the date of grant the fair market value of these stock awards totalled approximately $565,000 which amount has been deferred and, along with the remaining deferred portion of RSAs issued in prior years, is being amortized to operations over a six year period. At February 28, 1989 unamortized deferred stock compensation expense of approximately $879,000 is classified as such in the equity section of the balance sheet.

The committee of the Board of Directors which administers the Plans may, at its discretion, determine the number of shares, the purchase price, applicable vesting periods, and any other terms of each option or award. Options and awards include provision for acceleration of such applicable vesting periods in the event of certain transactions which may result in a change of control of the Corporation.

Under the 1982 and 1986 Plans, a total of 13,155 and 122,949 shares were available for grant, respectively, at February 28, 1989.

The following table summarizes activity in the Plans:

	Number of Shares			
	Under Option	*Restricted Stock Awards*	*Available for Future Option or Award*	*Price Range*
Outstanding, March 1, 1987	172,967	74,259	225,238	$7.62 - $11.81
Granted	1,900	1,900	(3,800)	19.94
Exercised	(7,267)	—	—	10.09
Outstanding, February 29, 1988	167,600	76,159	221,438	7.62 - 19.94
Granted	67,919	32,374	(100,293)	17.44
Exercised	(13,292)	—	—	7.62 - 11.81
Cancelled or expired	(12,297)	(2,662)	14,959	8.38 - 17.44
Outstanding, February 28, 1989	209,930	105,871	136,104	7.62 - 19.94
Exercisable at February 28, 1989	81,191			

Note 6
Pension Plans

The Corporation and its subsidiaries have pension plans covering substantially all employees, excluding those employees covered by unions which operate plans independent of the Corporation or its subsidiaries. Non-union domestic pension benefits are based on years of credited service and highest five year average compensation. Contributions to the plan are based on the Projected Unit Credit actuarial funding method and are limited to amounts that are currently deductible for tax purposes. Contributions are intended to provide for benefits attributed to service to date and benefits expected to be earned during the plan year based on projected final average compensation.

Effective March 1, 1987, the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," were adopted, with respect to the domestic pension plan, with no significant impact on fiscal year 1988 pension expense. Total pension expense (excluding union-sponsored collectively bargained plans) was $1,878,000, $972,000 and $270,000 in fiscal years 1989, 1988 and 1987, respectively.

The following table sets forth the domestic plan's funded status and amounts recognized in the Corporation's consolidated balance sheets at February 28/29:

(Thousands of dollars)	*1989*	*1988*
Actuarial present value of benefit obligations		
Vested	$23,685	$21,567
Nonvested	859	665
Accumulated benefit obligation	$24,544	$22,232
Projected benefit obligation	$31,736	$29,024
Plan assets at fair value	(28,392)	(25,622)
Projected benefit obligation in excess of plan assets	3,344	3,402
Unrecognized net transition obligation	(422)	(455)
Unrecognized net loss	(1,252)	(1,871)
Accrued pension cost, included in accrued liabilities in the Company's consolidated balance sheet	$ 1,670	$ 1,076

Net domestic pension expense includes the following components:

(Thousands of dollars)	*1989*	*1988*
Service cost (benefits earned during the fiscal year)	$1,250	$ 962
Interest cost on projected benefit obligation	2,916	2,380
Actual return on plan assets	(3,132)	(571)
Net amortization and deferral	610	(1,965)
Net domestic pension expense	$1,644	$ 806

The weighted average discount rate, the rate of increase in future compensation levels, and the expected long-term rate of return on plan assets used in determining the actuarial present value of the projected benefit obligation as of March 1, 1989 and 1988 were 10%, 6% and 10%, respectively. The expected long-term rate of return on plan assets was 10% for 1987. The market value of assets, which consist primarily of cash equivalents and equity securities, is as reported by the trustee bank serving the pension plan.

Certain employees are covered under union-sponsored collectively bargained defined benefit plans. Expenses for these plans were $607,000 in 1989, $496,000 in 1988 and $429,000 in 1987, as determined in accordance with negotiated labor contracts.

Provisions of the Multi-Employer Pension Amendments Act of 1980 require participating employers to assume a proportionate share of a multi-employer plan's unfunded vested benefits in the event of withdrawal from or termination of such plan. Information concerning the Corporation's share of unfunded vested benefits is not available from plan administrators. Provisions of the Act may have the effect of increasing the level of contributions in future years.

Non-union employees of the Company's Canadian subsidiary are covered by a pension plan. Commencing in 1990, the Company will be required to adopt certain accounting changes regarding its Canadian plan under FASB Statement No. 87. However, the Company has not determined the impact, if any, of such changes. Plan assets exceed the actuarially computed vested benefits of the plan at December 31, 1988 and 1987. Pension expense under the Canadian plan was approximately $234,000 in 1989, $166,000 in 1988 and none in 1987.

Note 7
Other Retirement Benefits

The Corporation provides certain medical benefits to pensioners and survivors. Substantially all of the Corporation's employees may become eligible for those benefits if they reach retirement age while still working for the Corporation. The cost of retiree and survivor medical benefits is recognized as expense as claims are paid. The program went into effect on October 1, 1986 and costs under the program were not significant for 1989, 1988 or 1987.

Note 8
Income Taxes

Income before provision for taxes on income for the years ended February 28/29 comprised the following:

(Thousands of dollars)	*1989*	*1988*	*1987*
Domestic	$24,932	$14,836	$(2,761)
Foreign	8,925	6,600	4,256
	$33,857	$21,436	$ 1,495

Provision for taxes on income consisted of the following:

(Thousands of dollars)	*1989*	*1988*	*1987*
Current—			
Federal	$ 6,639	$ 6,929	$1,235
State and local	1,573	2,035	198
Foreign	4,111	3,342	1,972
	12,323	12,306	3,405
Deferred—			
Federal	1,292	(1,917)	(2,229)
State and local	413	(44)	(415)
Foreign	(144)	(72)	22
	1,561	(2,033)	(2,622)
Total provision for taxes on income	$13,884	$10,273	$ 783

Deferred income taxes result from timing differences in the recognition of certain items for income tax and financial statement purposes. The sources of these differences and the tax effect of each for the years ended February 28/29 were as follows:

(Thousands of dollars)	*1989*	*1988*	*1987*
Depreciation	$1,176	$ 1,843	$ 996
Self-insurance reserves	136	(826)	461
Environmental reserves	649	(2,361)	(1,691)
Acquisition basis allocations—net	(844)	—	(2,406)
Inventory valuation	(181)	(545)	—
Software development	616	—	—
Other—net	9	(144)	18
Total deferred provision	$1,561	$(2,033)	$(2,622)

The accompanying financial statements reflect effective tax rates of 41.0% in 1989, 47.9% in 1988, and 52.4% in 1987. An analysis of the differences between these rates and the Federal statutory rate is set forth below:

(Thousands of dollars)	*1989*		*1988*		*1987*	
	Amount	*Percent*	*Amount*	*Percent*	*Amount*	*Percent*
Federal tax at statutory rate	$11,511	34.0%	$ 8,146	38.0%	$687	46.0%
State taxes, net of federal tax benefit	1,311	3.9	1,234	5.8	(117)	(7.8)
Rate differential for foreign income	932	2.8	762	3.6	36	2.4
Investment tax credit—net	—	—	—	—	4	.2
Other—net	130	0.3	131	0.5	173	11.6
	$13,884	41.0%	$10,273	47.9%	$783	52.4%

Federal income tax returns of the Corporation have been audited by the Internal Revenue Service and settled through February 28, 1981.

In December 1987, the FASB issued Statement No. 96, "Accounting for Income Taxes" ("Statement No. 96"), adopting the liability method of accounting for deferred income taxes. In December 1988, the FASB extended final implementation of that pronouncement by one year. Statement No. 96 must be adopted by the Corporation no later than the fiscal year ending February 28, 1991. Under the provisions of Statement No. 96, the Corporation may recognize the impacts of adoption by recording the prior years' cumulative effect of the new rules entirely in the year of adoption or by restating all financial statements presented. While the Corporation currently does not expect that adoption of Statement No. 96 will significantly impact the amount of earnings retained in the business, deferred taxes will have to be adjusted to reflect federal income tax rates in effect at the time of adoption and to give effect to temporary differences for which no deferred taxes had been previously provided.

Note 9
Notes Payable

As of February 28, 1989, the Corporation had regular domestic and foreign short-term lines of credit of $30,000,000 with loans against these bank lines of $11,777,000. In addition, the Corporation had $25,000,000 of commercial paper outstanding. The approximate average aggregate short-term borrowing and weighted average short-term interest costs were $37,475,000 and 9.2% in 1989, $33,297,000 and 7.7% in 1988 and $31,450,000 and 6.6% in 1987. The maximum amount of short-term borrowing during the year was $50,000,000 in 1989, $46,500,000 in 1988 and $40,200,000 in 1987.

At February 28, 1989, $25,000,000 of commercial paper borrowing was reclassified to long-term debt, based upon available refinancing through the revolving credit agreement.

To compensate its banks for the availability of short-term and long-term credit, the Corporation has informal agreements to maintain average cash balances varying up to 5% of the available credit, or in certain cases to pay fees in lieu thereof.

Note 10
Leases

Rental expense was approximately $6,613,000, $5,554,000 and $5,167,000 for 1989, 1988 and 1987, respectively. The Corporation and its subsidiaries occupy some leased premises and lease some other equipment. Leases that qualify as capital leases, as defined in Statement of Financial Accounting Standards No. 13, have been capitalized. The amount of such capitalized leases included in property, plant and equipment and the related accumulated amortization was $6,558,000 and $2,671,000 in 1989, and $7,493,000 and $1,188,000 in 1988. Lease amortization is included in depreciation expense.

Future minimum lease payments as of February 28, 1989 under capital leases and non-cancellable operating leases, having initial lease terms of more than one year, are as follows:

Years Ending February 28/29 (Thousands of dollars)	*Capital Leases*	*Operating Leases*
1990	$ 805	$ 6,073
1991	802	3,828
1992	802	1,663
1993	789	1,391
1994	725	1,053
Thereafter	6,596	1,317
Total minimum lease payments	10,519	$15,325
Less amounts representing interest	4,500	
Present value of net minimum lease payments	$ 6,019	

The present value of the net capital lease payments is presented in the February 28, 1989 balance sheet as long-term debt.

Note 11
Acquisition

On December 5, 1988, the Corporation's United States subsidiary acquired the assets and certain liabilities of the domestic pest control chemical distribution business of Southern Mill Creek Products Co., Inc. (SMCP), a subsidiary of Crompton & Knowles Corporation, for approximately $3,500,000 in cash. In connection with the acquisition, the Corporation received assets with a fair value of approximately $8,400,000 and assumed certain fixed liabilities totalling approximately $4,900,000.

The acquisition was accounted for as a purchase. The preliminary net assets are included in the accompanying consolidated balance sheet at values representing an allocation of the purchase cost to such net assets, which approximate market valuation, pending final determination of the fair value of the net assets acquired. If the domestic pest control chemical distribution of SMCP had been acquired at the beginning of the fiscal year, the effect on per share results of operations for the year ended February 28, 1989 would not have been significant.

On August 1, 1987, the Corporation's Canadian subsidiary acquired all of the outstanding shares of King Agri-Serve Inc., an agricultural chemical distributor with operations in Canada, for approximately $375,000 in cash and a $375,000 note, payable over three years. Certain additional consideration to King Agri-Serve Inc. shareholders may be required depending upon the future performance of those operations. In the opinion of management, the amount of such additional consideration, if any, would not be significant to the Corporation's financial condition. The acquisition was accounted for as a purchase and resulted in acquired goodwill of approximately $750,000. King Agri-Serve Inc. continues to be operated as a wholly-owned subsidiary of the Corporation's Canadian subsidiary. If King Agri-Serve had been acquired at the beginning of the fiscal year, the effect on per share results of operations for the year ended February 29, 1988 would not have been significant.

Effective November 1, 1986, Univar Corporation acquired substantially all of the assets, subject to certain liabilities, of McKesson Chemical Co., one of the leading national distributors of industrial chemicals, for approximately $67,000,000. Funding was provided through the issuance of 3,053,000 shares of Univar common stock and $1,000,000 in cash to Pakhoed Holding N.V. of Rotterdam in exchange for all of the outstanding stock of a Pakhoed subsidiary, capitalized by Pakhoed with $26,000,000 in cash and holding an asset purchase contract for the assets of McKesson Chemical Co. This acquisition was accounted for by the purchase method. McKesson Chemical Co.'s net assets are included in the accompanying consolidated balance sheet at values representing an allocation of the purchase cost to such net assets, which approximated but did not exceed market valuation. Operating results of McKesson Chemical Co. from November 1, 1986 have been included in the consolidated statements of income from that date forward.

Note 12
Litigation and Contingencies

The Corporation is involved in various contractual, warranty and public liability cases and claims which are considered normal to the Corporation's business. The liabilities for injuries to persons or property are generally covered by liability insurance and the deductible portion of the liabilities, where applicable, has been accrued in these financial statements.

Univar and related entities have been named as "potentially responsible parties" relative to cleanup costs associated with twenty-one separate waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater pollution. On many of these sites, the Corporation could technically be liable for the total costs of cleanup under the principle of joint and several liability. However, with respect to each site, numerous other companies are similarly identified and as a practical matter most of them will share in the cleanup costs. In all of these cases, the Corporation is a "small generator" in that the Corporation's volume of waste delivered to the disposal sites represents less than 2% of the total wastes at each site.

Eleven sites owned or formerly owned by the Corporation and one leased site are the subject of separate government proceedings or investigations concerning alleged soil and/or groundwater contamination. With respect to twelve other environmental matters, the Corporation has been or in the future may be asked to contribute to the costs of cleanup.

While the results of the proceedings and claims against the Corporation are not presently determinable, based upon the information presently available, management believes that the amount of losses that might be sustained from these cases is not likely to materially affect the Corporation's financial position or operations.

The Corporation believes it is not practical to purchase broad-based liability coverage for environmental contamination. It has, however, purchased substantial amounts of insurance in excess of a deductible for certain named environmental perils, and has provided reserves to cover estimated remedial costs of currently known environmental matters. At February 1989 and 1988 the Corporation had reserves for environmental matters of approximately $9,700,000 and $11,300,000, respectively.

As an industrial chemical distributor and handler of hazardous and potentially hazardous waste materials, compliance with environmental laws will continue to impact the Corporation's operations. For the years 1989 and 1988, the Corporation spent approximately $2,600,000 and $1,600,000, respectively, relating to environmental matters for elective actions and to comply with federal, state or local environmental regulations.

Effective February 28, 1986, the Corporation distributed all of the outstanding stock of VWR Corporation to its shareholders. The Corporation remains contingently liable for approximately $1,500,000 of VWR Corporation debt which carries Univar's guarantee and is secured by VWR property, plant and equipment.

Effective March 1, 1984, the Corporation distributed all outstanding stock of PENWEST, LTD. to its shareholders. The Corporation remains contingently liable for approximately $5,500,000 of PENWEST debt which carries Univar's guarantee and is secured by PENWEST property, plant and equipment.

Note 13
Industry Segment Information

Univar Corporation operates in only one industry segment (chemical distribution) in both the United States and Canada. Foreign operations in Canada, included in the consolidated statements for fiscal years 1989, 1988 and 1987, had sales of $194,102,000, $150,646,000 and $123,924,000; operating income of $8,252,000, $6,364,000 and $4,258,000; identifiable assets of $65,396,000, $57,222,000 and $43,044,000; depreciation and amortization expense of $1,054,000, $1,000,000 and $981,000; and capital expenditures of $2,882,000, $699,000 and $503,000, respectively.

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL DATA

The management of Univar Corporation has prepared and is responsible for the integrity and fairness of the financial statements and other financial information presented in this annual report. The statements have been prepared in accordance with generally accepted accounting principles and, to the extent appropriate, include amounts based on management's judgment and/or estimates. In order to discharge its responsibilities for these financial statements and information, management maintains accounting systems and related internal controls. These controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, that assets are safeguarded, and that financial records are reliably maintained. The concept of reasonable assurance, however, incorporates an acknowledgment that the cost of a control system must be related to the benefits derived.

Univar monitors the effectiveness of and compliance with its control systems through a full time internal audit program. Arthur Andersen & Co., as a part of reaching its opinion, reviews the programs and coverage undertaken by the internal audit group.

Management has reviewed the recommendations of both the internal auditors and of Arthur Andersen & Co., and has responded in what we believe to be appropriate and cost effective ways.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with management and with the internal and independent auditors to review the quality of financial reporting, the operation and development of the internal control systems, and the results of internal and independent auditors.

The independent auditors and also the internal auditors each regularly meet with the Audit Committee without the presence of any other parties.

Nicolaas Samsom
Senior Vice President—
Finance and Administration
(Chief Financial Officer)

Gary E. Pruitt
Vice President and Treasurer
(Chief Accounting Officer)

April 21, 1989

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Univar Corporation:

We have audited the consolidated balance sheets of Univar Corporation (a Delaware corporation) and subsidiaries at February 28, 1989 and February 29, 1988, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended February 28, 1989. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Corporation's wholly-owned Canadian subsidiary, which statements reflect total assets and total revenues constituting approximately 15% of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Univar Corporation and subsidiaries at February 28, 1989 and February 29, 1988, and the consolidated results of its operations and cash flows for the years then ended, all in conformity with generally accepted accounting principles.

Seattle, Washington
April 21, 1989

Arthur Andersen & Co.

FIVE-YEAR FINANCIAL SUMMARY

For the Fiscal Years Ended February 28/29 (Thousands of dollars, except per share data)	*1989*	*1988*	*1987*[1]	*1986*[2]	*1985*[2]
Sales	$1,307,865	$1,117,309	$693,279	$538,388	$546,905
Cost of sales	1,120,139	950,464	589,904	458,297	470,223
Gross margin	187,726	166,845	103,375	80,091	76,682
Operating expenses	145,560	137,589	96,733	68,745	67,553
Income from operations	42,166	29,256	6,642	11,346	9,129
Interest expense	(11,443)	(10,315)	(6,198)	(6,019)	(8,241)
Other income—net	3,134	2,495	1,051	1,252	14,394
Income before provision for taxes	33,857	21,436	1,495	6,579	15,282
Provision for taxes	13,884	10,273	783	2,320	5,247
Net income from continuing operations	19,973	11,163	712	4,259	10,035
Net income from companies distributed	—	—	—	6,391	5,775
Net income	$ 19,973	$ 11,163	$ 712	$ 10,650	$ 15,810
Weighted average common shares outstanding	8,802	8,764	6,687	5,615	5,544
Net income per share from continuing operations	$ 2.27	$ 1.27	$ 0.11	$ 0.76	$ 1.81
Net income per share from companies distributed	—	—	—	1.14	1.04
Net income per share	$ 2.27	$ 1.27	$ 0.11	$ 1.90	$ 2.85
Continuing operations only:					
Cash dividends declared per share	$ 0.40	$ 0.20	$ 0.20	$ 0.32	$ 0.43
Total assets	431,428	394,667	346,555	186,976	190,952
Total debt	117,673	120,932	111,634	65,819	68,895
Long-term debt	103,432	115,350	102,776	59,401	56,540
Working capital	63,739	67,171	51,201	30,783	32,494
Shareholders' equity	114,728	96,254	85,068	45,000	43,373
Book value per share	13.14	11.08	9.80	8.03	7.73
Return on beginning equity	20.8%	13.1%	1.6%	9.8%	27.6%

(1) Reflects acquisition of McKesson Chemical Co. effective November 1, 1986 (See Note 11).
(2) Represents figures for continuing operations of Univar Corporation after giving effect to spin-off of VWR Corporation on February 28, 1986 (See Note 12).

BOARD OF DIRECTORS

James H. Wiborg (1964) [3,6]
Chairman and Chief Strategist
Univar Corporation

James W. Bernard (1986) [2,3,4,6]
President and Chief Executive Officer
Univar Corporation

H. P. H. Crijns (1986) [3]
Chairman, Managing Board
Pakhoed Holding N.V.
Oil and chemical storage and transportation

Richard E. Engebrecht (1984) [3,4]
President and Chief Executive Officer
VWR Corporation
Industrial distribution

Mark W. Hooper (1986) [6]
President
Pakhoed Development Inc.
Oil and chemical storage and transportation

Curtis P. Lindley (1984) [1,5,6]
Chairman of the Board
PENWEST, LTD.
Grain processing

Robert S. Rogers (1970) [2,5]
President
Lands-West, Inc.
Recreational real estate developers

Andrew V. Smith (1982) [1,4]
Executive Vice President
U S WEST, Inc.
Telecommunications

William K. Street (1975) [1,2]
President
The Ostrom Company
Mushroom growers and distributors

Nico van der Vorm (1987) [3]
Chairman-Executive Board
HAL Holding N.V.
Investments

G. Verhagen (1986) [1,2]
Managing Director
Pakhoed Holding N.V.
Oil and chemical storage and transportation

Lowry Wyatt (1975) [2,3,5]
Consultant and Retired Senior Vice President
The Weyerhaeuser Company
Forest products

Emeritus
M. M. Harris
Nat S. Rogers

( ) Year of election as Director of Univar Corporation or its predecessor

1 Audit Committee
2 Compensation Committee
3 Executive Committee
4 Nominating Committee
5 Retirement Plan Committee
6 Public Policy Committee

OFFICERS

James H. Wiborg
Chairman and Chief Strategist

James W. Bernard
President and Chief Executive Officer

N. Stewart Rogers
Senior Vice President

Bevan A. Cates
Senior Vice President–Sales, Marketing and Material Management

Dick A. Davis
Senior Vice President–Operations

James L. Fletcher
Senior Vice President–Environmental and Corporate Affairs

Nicolaas Samsom
Senior Vice President–Finance and Administration

Albert C. McNeight
Vice President
President, Van Waters & Rogers Ltd.

David C. Gentry
Vice President–Human Resources

Gary E. Pruitt
Vice President and Treasurer

Guenter Zimmer
Vice President–Engineering

Barry C. Maulding
Corporate Secretary

David E. Olson
Assistant Treasurer

GENERAL INFORMATION

Corporate Offices
1600 Norton Building
801 Second Avenue
Seattle, Washington 98104
(206) 447-5911

Form 10-K
The Corporation's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, will be available at no charge to shareholders upon request to Barry C. Maulding, Corporate Secretary, at the above address.

Counsel
Shidler McBroom
Gates & Lucas
Seattle, Washington

Independent Public Accountants
Arthur Andersen & Co.
Seattle, Washington

Transfer Agent and Registrar
First Interstate Bank Ltd.
26610 West Agoura Road
Calabasas, California 91302
(800) 522-6645

Shareholder Account Information
First Interstate Bank Ltd.
Shareholder Services
(800) 522-6645

Stock Exchange Listings
Common Stock
New York Stock Exchange
(Symbol UVX)
Pacific Stock Exchange
(Symbol UVX)

9-3/4% Debentures
New York Stock Exchange

Annual Meeting
Friday, August 25, 1989
9:00 a.m.
Museum of Flight
9404 East Marginal
Way South
Seattle, Washington

PRINCIPAL OPERATING UNITS

Van Waters & Rogers Inc.
General Offices:
1600 Norton Building, 801 Second Avenue
Seattle, Washington 98104

Officers

James W. Bernard
President

Bevan A. Cates
Senior Vice President–Sales, Marketing and Material Management

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General Offices:
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Assistant Secretary

BR001720

Univar
CORPORATION

1600 Norton Building
801 Second Avenue
Seattle, WA 98104

Printed In USA

Avechem
4/30/99

Environmental La Conde

I Sealed in underground tanks - need to complete ground water remedial & tank vapor extraction system (G.W wells). Well then in with surface tank system

II Surface Tanks - 4 - 20,000 gal tanks equivalent to 16 tanks
· Have all AQMD permits (SCS)
· Need "Spill Prevention Containment and Control" system
Vapor Extraction

III Prop 65 - Form R.

IV - Ken - : When "all" work is completed by early 2000, Avechem would be "attractive" facility to another chemical co in same line of business. G.W contamination remains not totally clean.

BR001722

Anchem
FMU- 4/30/98

Ken La Conde
562-426-9546
9/16/98

Environmental

A) 1- Recommission existing UG tanks + mixing system by 12/22/98 - Absolute SFS Fire Dept. deadline. Tanks probably won't be pulled

2)- Build above ground storage mix + fill - Requires financing and equipment order. No cost estimate. Anchem has retained other consultants

3)- Question: Will production be interrupted??

B) 1. By mid-late 1999, ground water remediation + tank vapor extraction system must be installed (Dept of Toxic ... G.W. wells.
2. [illegible] ... leave on bay ... cap. ex. ... $100K - $200K.
3. Base operating cost ~4K/mo; ~50K/yr.
4. SCS involved. Consulting fees will continue.

(1)

BR001723

c). Mc Kesson Property - no longer state Sup. Fund site. No activity on property. Mc Kesson not cleaning up but containing G.W. seepage on property.

(2)

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

Evaluation of the Common Stock of ANGELES CHEMICAL CO. as of April 30, 1998

Prepared by:
Bramstedt & Associates, Inc.
October 1998

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

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B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

October 12, 1998

CONFIDENTIAL

Employee Stock Ownership Plan
  Administrative Committee
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical Co. for Employee Stock Ownership Plan (ESOP) purposes as of April 30, 1998.

Our evaluation places a fair market value of $1,215,881 on the common stock of Angeles Chemical Co. as of April 30, 1998. Based on 30,166 A and B common shares outstanding, the value per share is $40.30. This evaluation is based on an adjusted book value approach. The valuation conclusion was transmitted to John Locke on October 12, 1998.

The valuation report was prepared by Bramstedt & Associates, Inc. as a subcontractor to Sansome Street Appraisers, Inc.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

BRAMSTEDT & ASSOCIATES, INC.

Eric M. Bramstedt

Eric M. Bramstedt, CFA
President

EMB:ew
enclosure

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Table of Contents

I. INTRODUCTION AND SUMMARY

The Administrative Committee of the Angeles Chemical Company, Inc. Employee Stock Ownership Plan has requested that we evaluate the common stock of Angeles Chemical Company, Inc. ("Angeles Chemical," "Anchem" or the "Company") as of plan year end April 30, 1998 in order to determine the minority interest fair market value of the Company's common stock for annual Employee Stock Ownership Plan (ESOP) reporting purposes and for use in common stock transactions involving the Company's ESOP.

At April 30, 1998, Anchem's ESOP owned all 10,166 B common shares of Company common stock (33.7% of the A and B common stock). During fiscal 1998, Anchem made a $29,360 cash ESOP contribution.

Company Overview

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are used in industrial, commercial and retail/consumer applications. Sales in fiscal 1998 rose 15.4% year-to-year to $11.26 million (the highest since the 1980s). The long-term low sales point was $6.6 million in fiscal 1995 after having been stable at about the $8 million level for fiscal years 1990-1993. Sales in the mid-1980s were $12-$14 million.

Following several years of operating losses in the 1990s, the Company reported a net profit of $348,000 in fiscal 1996 on a $542,000 (net) cash litigation settlement. In fiscal 1998 Anchem recorded its second (consecutive) operating profit in the 1990s of $191,000 and net income of $31,000. The 1996 Spencer & Jones litigation settlement liquified the Company's balance sheet and provided the economic resources to repurchase and retire outstanding shares from a retiring stockholder and pay off bank debt.

Soil and underground water contamination conditions at Anchem's plant are continuously being monitored and tested, which has required significant on-going testing and other expenses. As of April 30, 1998 no major new environmental liability or remedial responsibility had been revealed, although the Company will have to begin to replace its underground storage tanks and conduct other remedial work by the end of 1998 at a considerable estimated cost.

Like all chemical processors, Anchem and its customers have faced substantial environmental regulations and enforcement in the Los Angeles Basin. As indicated above, these have seriously impacted Anchem's industrial business base and combined with the 1990-1993 California recession caused Anchem's sales to drop 20% in the early 1990s and the incurrence of operating losses in 1992-1996.

Given the operating loss history, the ESOP valuation for several years has been prepared on an asset rather than income basis. An adjusted book value approach is employed in fiscal years 1994 to 1998. The Company's financial position has included a large (shareholder) long-term note since January 1, 1994 and as of April 30, 1998 also reflects a former shareholder consulting agreement and an ESOP stock repurchase note, both dating from February 1997. These latter two obligations increased the Company's financial leverage (risk) at April 30, 1998. During fiscal

1997, the number of outstanding A and B common shares was reduced by 23,899 shares, or 44%, to 30,166.

Valuation Criteria

We have valued the common stock of Anchem based upon: (1) the pertinent regulations and principles promulgated by the Internal Revenue Service and the Department of Labor; (2) an analysis of the Company's financial statements, forecasts and other information; (3) discussions with management; (4) analysis of the relevant industry conditions; and other factors.

The basic rules for valuation are laid down in Revenue Ruling 59-60 issued by the Internal Revenue Service in March 1959 (as modified by Revenue Ruling 65-193). The rulings define "fair market value" as follows:

> "...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

In 1988, the Department of Labor (DOL) issued proposed regulations on "Adequate Consideration" which addressed valuation issues affecting Employee Stock Ownership Plans. These proposed regulations endorsed Revenue Ruling 59-60 and set forth other factors to be considered in valuing securities for ESOP purposes. In 1995, the DOL withdrew the proposed regulations; however, ESOP practitioners still consider these proposed regulations in conducting ESOP security valuations.

Consequently, this report has considered the following factors:

— The history of the Company and the nature of the business

— General economic outlook and the outlook of the particular industry

— Book value of the stock and the financial condition of the business

— Earnings capacity of the Company

— Dividend paying capacity

— Whether the enterprise has goodwill or other intangible value

— Sales of stock and the size of the block to be valued

— Market prices of stock of other comparable companies traded on exchanges

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. Other factors relevant to the subject valuation were also considered, such as the ESOP repurchase liability and its effect on the application of a marketability discount.

Valuation History and Conclusion

This valuation represents an update of prior appraisals of Anchem's common stock for ESOP purposes prepared by this appraiser as a subcontractor to Sansome Street Appraisers, Inc., a wholly owned subsidiary of Menke & Associates, Inc. The following table summarizes our fair market value findings for the past five fiscal years:

Angeles Chemical Co.
Summary of Fair Market Value Determinations
F1998-1994

			Percent of			Times	
Date	Aggregate ESOP Value	Per Share*	Sales	Assets	Equity	Gross Profit	Working Capital
4/30/98	$1,215,881	$40.30	10.8%	31.2%	75%	0.38X	0.89X
4/30/97**	974,758	32.30	10.0	25.0	58	0.32	0.63
4/30/96	1,467,603	27.15	21.3	33.7	81	0.76	0.94
4/30/95	1,187,463	22.00	18.0	37.3	81	0.60	0.99
4/30/94	1,421,555	26.30	20.4	41.2	81	0.64	0.93

* Number of outstanding A and B common shares was reduced to 30,166 in fiscal years 1997 and 1998 from 54,065 in fiscal years 1994-96.

** Based on originally reported financial statements.

Based upon our analysis of Angeles Chemical Co., Inc., our experience in the valuation of closely held securities, and the consideration of the factors set forth in this report, we are of the opinion that the aggregate minority interest fair market value of the common stock of Anchem for Employee Stock Ownership Plan purposes as of plan year end April 30, 1998 is $1,215,881, or $40.30 per share based upon 30,166 shares of A and B common stock outstanding.

This determination of fair market value is based on an adjusted book value approach. The reduction of the "price" to sales ratio to 10% at April 30, 1998 from about 20% prior to fiscal 1997 reflects the economic impact on value of the recently incurred balance sheet obligations discussed above which is only partially offset by improved operating performance.

Special Valuation Considerations

In January 1994, Anchem's real property in Santa Fe Springs was transferred from the three founder/shareholders to the Company for $648,000 in the form of Company 14-year notes. The price was negotiated by the principals and does not represent arm's-length fair market value as determined by a fall 1996 independent real estate appraisal. The property's marketability to a third-party buyer is impaired until its environmental problems are cured. In the appraiser's opinion, the face amount of the three (original) $216,000 7-1/2% 14-year notes may also be well above their third-party fair market value.

In February 1997, the Company purchased and retired 20,000 A common shares from a retiring shareholder in an exchange for a ten-year, $480,000 consulting agreement and $198,000 in cash. The Company/ESOP also bought 3,899 B common (ESOP) shares from the same retiring shareholder for a five-year $105,852 promissory note. The estimated present values of these financial obligations may be well below their face value as of April 30, 1998.

II. SCOPE AND LIMITATIONS OF THE VALUATION REPORT

Limitations

The purpose of this valuation report is to determine the fair market value of the common stock of Anchem on a minority interest basis as of plan year end April 30, 1998 for annual ESOP reporting purposes and for use in common stock transactions involving the Company's ESOP. This appraisal is valid only for the appraisal dates specified herein and valid only for the appraisal purpose specified herein. No other purpose is intended or should be inferred.

In preparing this valuation, Bramstedt & Associates has relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Bramstedt & Associates has also considered information based upon other publicly available sources which it believes to be reliable; however, Bramstedt & Associates and the appraiser do not guarantee the accuracy and completeness of such information and have not independently verified the financial statements and other information. The appraiser is not aware of material omissions or understatements from management and other sources which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This valuation report does not specifically address the financial impact, if any, of matters requiring special expertise or knowledge not generally held by business appraisers. As such, this report does not address in significant detail issues involving toxic contamination, hazardous waste, engineering and structural soundness, litigation and legal concerns, etc.

In preparing this valuation report, a variety of data and assumptions has been used. The financial information on past performance has been gathered from Anchem's financial statements for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statements, prepared as a review by Singer, Traynor & Co., CPAs, for the fiscal year ended April 30, 1998.

General expectations of future financial performance for fiscal 1999 have been provided to us by the management of Anchem. Interviews have been held with members of management and with certain outside sources regarding certain Company events.

Neither the appraiser nor Bramstedt & Associates, Inc. has any present or contemplated future financial interest in Anchem, and the fee for this valuation is not contingent upon the fair market value determined. The qualifications of Bramstedt & Associates, Inc. to undertake this valuation are set forth in Appendix II.

The analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Scope

The marketability of the subject company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can affect the concluded value. In valuing a block of stock, IRS Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability. Further, a minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. Discounts can range from 10% to 30% or more. When minority interest and lack of marketability discounts are both applied, they are sequential.

This valuation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the Company's Employee Stock Ownership Trust (ESOT). This report does not address the value of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change management, to acquire other companies and/or business operations, or to sell or merge the Company, may be greater than the total value implied by this valuation. On the other hand, the value of minority interest shares held outside of the ESOT would probably be less than the value determined in this report. An ESOP with a "put" option obligating the Company to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted for their inherent lack of marketability.

III. THE COMPANY

History

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. Specifically, the Company sells commercial solvents and packages paint thinner and finishes for the consumer/retail market. Commercial gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is about 70/30.

From their peak in fiscal 1982 at $16.8 million, Company dollar sales fell 61% to a low of $6.6 million in fiscal 1995. Physical volume declined even more because of periodic price increases. The 15-year sales drop reflected the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a depressing factor. Management continues to emphasize less environmentally sensitive consumer products. However, sales have turned up in the past two years, and in fiscal 1998 sales increased to $11.3 million, the highest since the 1980s.

In fiscal 1998, Anchem had about 70 active industrial customers and 400 in packaging. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, a retired Anchem officer and former shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals — propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits and alcohols. These are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each. Many of the storage tanks are not now used given the decline in sales and volume since the 1980s.

In fiscal 1998, Anchem had 26 full-time employees.

Anchem carries a $2 million product liability insurance policy.

Company Facilities and Property

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The land, structures and improvements are Company-owned. On January 1, 1994, title for the 1.8 acre land parcel was transferred from a partnership of the three founding and two then current shareholders to the Company in consideration of three equal 14-year $216,000 notes (aggregating $648,000) paying 7.5% annual interest. The total yearly principal and interest payments of $72,000 equal the former rent paid to the partnership and the transaction was therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. In

November 1996, a "limited appraisal" of the real property was prepared by Thomas M. Pike, Jr., MAI. Mr. Pike rendered an opinion of value of $535,000 to $625,000 assuming a market exposure of 6 to 12 months. This valuation assumed the property was not encumbered with environmental problems and clean-up costs. Based on his observations and discussion with Mr. Pike and SCS Engineers, Anchem's environmental consultant, the appraiser believes property ownership could be deemed transferable to a third party at market value after the removal of underground storage tanks, contaminated soil, etc. has been completed and appropriate regulatory agency certification is received. As of the appraisal date, the fair market value of the property is significantly impaired and is well below the $648,000 stated book value. This circumstance is reflected in the valuation conclusion.

In addition to its Santa Fe Springs facility, Anchem rents warehouses in Santa Fe Springs for decorating containers and in El Monte for distribution. Anchem also has a distribution agreement with East Bay Oil, a Northern California chemical distributor, and a Phoenix warehouse to further broaden its customer, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1998 consisted of:

Officer	Title	Joined Co.	Age
John Locke	President, CEO	1971	71
James Locke	General Manager	1985	34

The Board of Directors consists of John Locke and James Locke.

As of April 30, 1998 there were 20,000 Class A and 10,166 Class B common shares outstanding (excluding treasury stock) as follows:

Holder	Number of Shares	
John Locke	20,000 A shares	66.3%
ESOP	10,166 B shares	33.7
Total	30,166 A&B shares	100.0%

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Robert Berg Retirement and Transaction

As of January 31, 1997, Company founder and then-Director and Secretary-Treasurer Robert Berg retired from his Company positions and:

- Sold his 20,000 Class A common shares to the Company for $198,000 cash and a $480,000 ten-year consulting agreement payable at the rate of $4,000 per month beginning February 15, 1997 and ending January 5, 2006. The 20,000 A shares were retired by the Company. The amount remaining on the consulting agreement at April 30, 1998, an off-balance sheet item, is $420,000.

- Sold his 3,899 ESOP Class B common shares to the Company for $27.15 per share (the April 30, 1996 ESOP fair market value) in exchange for a Company no-interest promissory note of $105,852 payable in five equal annual installments of $21,170 beginning December 7, 1997 and ending December 7, 2001. The 3,899 B shares were retired. Its principal amount as of April 30, 1998 is $84,852.

Environmental Issues Update

The valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1998 the Company had no environmental agency violations or citations.

However, beginning in fiscal 1993 and continuing into fiscal 1999, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent McKesson property site. In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far have found soil and ground water problems which have not been completely characterized. As of April 30, 1998, no major remedial work had been undertaken. However, Anchem is required by the Santa Fe Springs Fire Department (SFSFD) to permanently shut in the underground tanks by December 22, 1998. In 1997, an outside consultant's estimate of the cost of tank pulls, installation of new tanks and remedial work was $625,000:

• Tank Pull (32 tanks)	$154,000
• New Tanks (15)	230,640
• Remediation/Related Work	240,000
Total Estimate	$624,640

As of the report date, September 1998, negotiations between Anchem and the SFSFD and other environmental agencies as to how many of the 32 tanks (many of which are long inactive) must be pulled after December 22, 1998, and when in 1999 a groundwater remedial and tank vapor extraction system must be installed (as required by the Department of Toxics). A new above-ground storage, mix and fill system will be constructed concurrent with the December 1998 shut in.

Tank pulls are estimated at $6,000 each, so the total cost could be $120,000 (20 tanks) to $192,000 (32 tanks). Four new 20,000 gallon above-ground tanks will be installed at a cost of $165,000. (There may be a work disruption during the conversion phase.) The groundwater and vapor monitoring system will range between $100,000 and $200,000 in capital costs and will entail annual operating costs of $50,000.

As of the appraisal date, Anchem had received a $1 million bank credit line to fund the capital costs combined with cash on hand and some equipment leases (e.g., tanks).

However, because of the large uncertainties as to final capital requirements and the timing of completion of the above described work, for ESOP valuation purposes the appraiser is unable at April 30, 1998 to render a reasonable estimate of the costs to render Anchem's property "marketable" as was done at April 30, 1997.

By its business nature, Anchem continues to incur legal, testing, remedial and consultant costs. The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins. SCS consulting costs have fluctuated but in fiscal 1998 averaged $8,000 a month.

Beginning in January 1995, Anchem is participating, as required by its major supplier contracts, in a comprehensive storage, operational, health, safety, environmental and emergency response program called "Responsible Distribution Process" created by the National Association of Chemical Distributors, who will sponsor on-site audits. A full-time compliance and safety officer reports to General Manager Jim Locke. Employee training for RDP is required. There have been incremental costs for implementing the program.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

<u>Spencer & Jones (S&J) Litigation Award</u>

As discussed in the April 30, 1996 Bramstedt & Associates, Inc. ESOP valuation report, in April 1996 Anchem received a cash litigation settlement from S&J of $640,000. This event was reflected on the April 30, 1996 balance sheet under current assets as "due from litigation - $640,000. During fiscal 1997, the bulk of these funds were employed to pay off $292,000 of bank and other notes and as a $198,000 cash payment on the repurchase of 20,000 A common shares from Robert Berg. For valuation treatment of the S&J litigation and cash award, see Bramstedt & Associates' ESOP valuation reports of April 30, 1997 and April 30, 1996.

The National Economy

The following discussion and analysis of the national economy for the second quarter of 1998 is based upon a review by Mercer Capital of current economic statistics, articles in the financial press, reviews found in current business periodicals and information posted on numerous Internet sites. The purpose of the review is to provide a representative "consensus" review of the condition of the national economy and its general outlook at the end of the second quarter of 1998.

General Economic Overview. Real Gross Domestic Product ("real GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 1.4%, or $26.3 billion, in the second quarter of 1998, according to preliminary estimates released by the Department of Commerce's Bureau of Economic Analysis ("BEA"). In the first quarter of 1998, revised growth in real GDP was 5.5%, or $100.1 billion, and higher than the preliminary estimated annualized growth rate of 4.2%. The BEA also announced revised GDP growth results for 1995 through 1997 which incorporate enhanced measurement techniques and improved data. Growth in real GDP for 1997 was revised upward to 3.9% (previously reported at 3.8%). According to the BEA, the increase in second quarter real GDP primarily reflected increases in personal consumption expenditures, producers' durable equipment, government spending, and residential structures. The smaller increase in real GDP in the second quarter versus that of the first quarter was primarily due to a sharp downturn in inventory investment and a deceleration of producers' durable equipment.

The Composite Index of Leading Economic Indicators, the government's primary forecasting gauge, ended the second quarter with a 0.2% decrease in June to 105.0 after increasing 0.1% and decreasing 0.1% in April and May, respectively. The index attempts to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. The decreases in May and June were the first since April 1997. Six of the ten leading economic indicators fell in June. The most significant negative contributor was average weekly initial claims for state unemployment insurance. The index increased 0.5% for the six month period through June, as only five of the ten components advanced.

After an extremely volatile quarter, stock markets ended the quarter slightly higher. The Dow Jones Industrial Average ("DJIA") topped the 9000 mark for the first time in history, and week ending prices met or exceeded this mark for seven of thirteen weeks in the quarter. However, several large weekly drops offset gains in many instances. High volatility characterized the DJIA and the S&P 500 with both posting final week rallies to end the second quarter on a positive note. After following a similar pattern as the DJIA and the S&P 500 in April, the NASDAQ index decreased every week in May before finishing the quarter with a strong June. The Federal Reserve Board left interest rates unchanged during its meetings on May 19th and June 30th. Average monthly yields on government bonds remained at or below 6.0% during the second quarter.

The outlook for the economy for the remainder of 1998 is mixed. While consumption remains high, analysts are uncertain how and to what degree the ongoing Asian economic crisis will affect the U.S. economy. Many analysts expressed that the slower economic growth rate for second quarter 1998 was needed to keep interest rates unchanged and growth under control. The Fed will continue to keep a close watch on inflation levels.

Consumer Spending and Inflation. The seasonally adjusted annualized rate of inflation for the three-month period ended in June 1998 was 2.5%, compared to 2.3%, 1.5% and 0.2%, respectively, for the prior three quarters. Retail sales for second quarter 1998 were 6.3% higher than same quarter sales in 1997.

Interest Rates. The Federal Reserve continued to leave short term interest rates alone during the second quarter. The Fed's bias at its May meeting was toward a tightening directive. Bias for the June 30th meeting has not yet been announced. Analysts believe a general slowing of the U.S. economy led to the Fed's decision at its June meeting.

The Financial Markets. After a volatile three months, stock markets ended the quarter slightly higher for the quarter. The Dow Jones Industrial Average ("DJIA") closed the second quarter at 8952.0, an increase of 2% for the quarter and 13% for the year to date. The DJIA gained 23% in 1997. The Standard and Poor's 500 Composite Index gained 3% during the second quarter to close at 1133.84. This represents growth of 17% so far in 1998 after posting an annual gain of 31% in 1997. The NASDAQ Composite Index gained 3% during the second quarter as well to close at 1894.74. Annual gains for the NASDAQ are 21% for 1998 following 22% for 1997. Average monthly yields on long-term government bonds remained below 6% where they have been since December 1997.

Construction, Housing, and Real Estate. According to the U.S. Commerce Department's Bureau of the Census, new privately owned housing starts increased to a seasonally annualized rate of 1.615 million units in June, or about 6% above the revised May level of 1.530 million units. During the first six months of 1998, housing starts have increased 8% over the same time period in 1997.

Unemployment. According to the Labor Department's Bureau of Labor Statistics, unemployment levels during the second quarter fell below the range of rates reported since November 1997. The June unemployment rate was 4.5%, following 4.3% in both April and May. June marked the twelfth consecutive month that the unemployment rate was below 5%.

Summary and Outlook. Economic (GDP) growth in the second quarter of 1998 was 1.4%, down from 5.5% in the first quarter of 1998. Forecasts for GDP growth and inflation in coming quarters are mixed, but generally reflect 3%-4% expected growth in GDP and continued modest inflation.

The California Economy

In 1998, California's economy continued its expansion and recovery from the early 1990s recession which was exacerbated by a sharp and permanent decline in the defense and aerospace sectors. Generally, California's positive economic performance mirrors that of the U.S. economy, described above, stimulated by growth in the entertainment and electronic industries. However, the impact of the Asia crisis is being felt in the state as economic activity in certain sectors is slowing as of fall 1998. Since the 1980s, however, there has been a change in the mix of California industrial activity which has been unfavorable for chemical processors like Anchem. Over the long term, the appraiser believes that Anchem's ability to address successfully its environmental issues is more critical than cyclical macroeconomic fluctuations.

Financial Analysis and Review

Anchem has provided Bramstedt & Associates with financial statements for the fiscal years 1994-1998. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1998, prepared as a review by Singer, Traynor & Co., CPAs, is attached as Appendix I.

Previous years' financials were compilations, and fiscal 1997's financials have been restated by the CPA. Specifically, in fiscal 1997 current and long-term debt was increased and shareholder equity decreased by "booking" the Berg ESOP note.

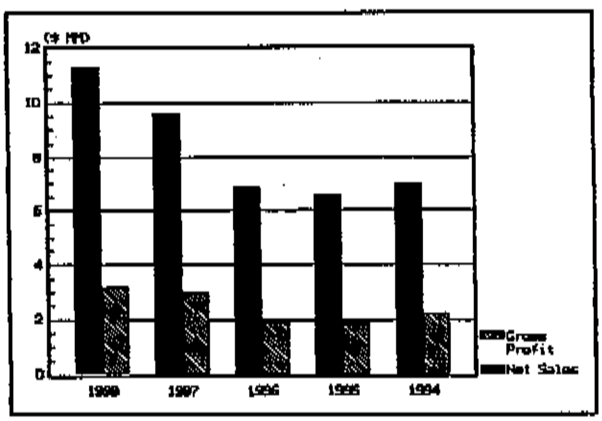
The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

Exhibit A	Comparative Income Statement, FY1994-1998
Exhibit B	Comparative Balance Sheets, FY1994-1998
Exhibit C	Selected Financial Ratios, FY1996-1998

These exhibits are presented at the end of this section of the report. The following comments and observations are based upon Bramstedt & Associates' review and analysis of the Company's financial statements. Samson Chemicals operations were combined with Anchem's on October 1, 1996 (or for the last half of fiscal 1997). For the first half of fiscal 1997, Samson's operating results are incorporated on a one-line entry, "income split - Samson."

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1994-1998.

Angeles Chemical Co.
Gross Profit & Sales
F1998-1994



Sales of $11.3 million in fiscal 1998 were up 15.4% from $9.76 million in fiscal 1997 on the inclusion of Samson's sales for twelve months and some improvement in Anchem sales. (Those separate entities' combined sales were $9.8 million in fiscal 1996. Samson's sales in fiscal 1996 were $2.9 million.) Anchem's fiscal 1998 sales were the highest since the late 1980s.

COGS rose a greater 19.4% to $8.06 million (71.6%) in fiscal 1998 compared to $6.7 million (69.2%) in fiscal 1997. Gross profit was up 6.5% to $3.2 million (28.4%). Gross margin in fiscal 1997 was 30.8%.

Reflecting in part the inclusion of Samson's operations for twelve months versus six months in fiscal 1997, operating costs gained 9.3% in fiscal 1998 to $3.0 million (26.7%) from $2.75 million (28.2%). Expenses rose in most categories — the largest expense components, all higher, are compensation, commissions, freight and professional services (which included Robert Berg's $48,000 annual consulting fee). ESOP expenses were $29,360 in fiscal 1998 versus $18,864 in fiscal 1997. Anchem recorded its second operating profit in the 1990s in fiscal 1998 — i.e., $191,000 (1.7%) compared to a $251,000 (2.6%) operating profit in fiscal 1997. Analysis suggests that the full integration of Samson Chemical in fiscal 1998 somewhat negatively impacted Anchem's profit margins and profits while increasing sales.

Net other expenses were $103,000 in fiscal 1998 compared to $99,000 in fiscal 1997. The major component is contamination expense of $99,000 in 1998, up 7.3% (see Appendix I). The Samson income split in fiscal 1997 was $25,600 versus zero in fiscal 1998. Interest expense at $46,000 (0.6%) was essentially unchanged from fiscal 1997.

Pretax profit was $42,000 (0.3%) in fiscal 1998 versus $103,000 (1.0%). Net income (on nominal income taxes in both years) was $31,000 (0.3%) in fiscal 1998 compared to $83,000 (0.8%) in fiscal 1997.

Exhibit B contains Anchem's comparative balance sheet in terms of dollars and dollars as a percent of assets for the period fiscal 1994-1998.

As discussed in previous Bramstedt & Associates, Inc. ESOP valuation reports, Anchem became comparatively more capital intensive and leveraged in: fiscal 1994 when the Company acquired its underlying real property for debt from its then three shareholders; and fiscal 1997 when Anchem repurchased and retired common stock from one of then two shareholders. As of April 30, 1998, total assets invested were $3.89 million, unchanged from a year earlier.

At April 30, 1998, current assets were $3.07 million (78.7% of total assets), unchanged from April 30, 1997 as follows:

- Cash and equivalents — $563,000 (14.5%), up from $318,000 (8.2%)
- Accounts receivable — $1.25 million (32.1%), down from $1.48 million (38.0%) (Note 2, Appendix I)
- Inventories — $1.07 million (27.4%), down from $1.12 million (28.8%) (Note 1)
- Other — $185,000 (4.7%), up from $145,000 (3.7%); these are primarily deferred charges (see Schedule 2, Appendix I)

At April 30, 1998, net fixed plant was unchanged at $823,000 (21.1%). Other assets (deposits) dropped to $5,000 (0.2%).

Current liabilities at April 30, 1998 were $1.7 million (43.8% of total liabilities and equity), up 1.9% from $1.67 million (43.0%) a year earlier as follows:

- Accounts payable — $1.41 million (36.2%), up 3.9%
- Drum deposits — $5,000, down 2%
- Bank and other notes payable — $81,000 (2.1%) versus $72,000 (1.8%)
- Accrued expenses — $147,000 (3.9%), down from $177,000 (4.6%) (see Schedule 2, Appendix I)
- Current portion long-term debt — $61,000 (1.5%) compared to $58,000 (1.5%)

The long-term debt of $566,000 (14.6%) at April 30, 1998 was down $61,000 from April 30, 1997. It consists of a $523,000 7.5% promissory note (term debt) due 2008 and an $84,852 4-year, no interest promissory note. Annual principal and interest payments are $72,000 (see Schedule 2 and Note 5, Appendix I). The larger note is held by one current and two former shareholders. A $420,000 9-year consulting agreement payable to former shareholder and officer Robert Berg is not reflected on the balance sheet.

Shareholders' equity rose 1.7% to $1.62 million (41.6%) at April 30, 1998.

Exhibit C presents selected financial and operating ratios for fiscal years 1998-1996. Exhibit C shows some stabilization in current and quick ratios to 1.80X and 1.07X respectively at April 30, 1998.

Working capital fell 2.2% to $1.36 million in fiscal 1998 from fiscal 1997. The sales to working capital ratio rose to 8.3 times from 7.0 times at April 30, 1997 on higher fiscal 1998 sales. Inventory turns rose to 7.6 times in fiscal 1998 from 6.0 times in fiscal 1997 on stable inventory and higher COGS.

Appendix I contains a statement of cash flows for fiscal 1998 which is summarized and compared to fiscal 1997 and 1996 as follows:

	F1998	F1997	F1996
		---(000)---	
Net cash from (used):			
Operating activities	$343	$539	($138)
Investing activities	(45)	(10)	67
Financing activities	(50)	(490)	272
Net change in cash	$248	$ 38	$201

Cash from operating activities of $343,000 represents net income of $31,000 and depreciation of $44,000 plus net changes in working capital accounts. Cash used in investing activities of $45,000 represents capital expenditures. The decrease in notes payable was $50,000. Cash increased $248,000 in fiscal 1998.

Anchem has a strong cash position at April 30, 1998 of $566,000 (14.5% of assets). Coverage ratios are thin, however, particularly when Berg's annual consulting fee of $48,000 is included. Cash may decline and leverage increase in fiscal 1999 as the Company funds the tank pull and replacement and remediation program.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement, F1998-1994
($000)

FYE 4/30:	1998		1997 (restated)		1996		1995		1994	
Net Sales	$11261	100.0%	$9759	100.0%	$6877	100.0%	$6615	100.0%	$6976	100.0%
Cost of Sales	8061	71.6	6753	69.2	4956	72.1	4648	70.3	4764	68.3
Gross Profit	3200	28.4	3006	30.8	1922	27.9	1967	29.7	2211	31.7
Operating Expenses	3008	26.7	2755	28.2	2153	31.3	2222	33.6	2422	34.7
Operating Income (Loss)	191	1.7	251	2.6	(231)	(3.3)	(255)	(3.8)	(211)	(3.0)
Other Income (Expense)	(103)	(0.9)	(99)	(1.0)	640	9.3	18	--	173	2.5
Interest Expense	46	0.6	49	0.5	49	1.0	51	0.8	16	0.2
Pretax Income (Loss)	42	0.3	103	1.0	360	5.2	(288)	(4.4)	(54)	(0.8)
Provision for Taxes	12	0.1	19	0.2	13	0.2	1		1	
Net Income (Loss)	$ 31	0.3	$ 83	0.8	$ 347	5.1	$(289)	(4.4)	$ (54)	(0.8)

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit B

Comparative Balance Sheet
1998-1994
(000)

As of 4/30:	1998		1997 (restated)		1996		1995		1994	
Current Assets:										
Cash and liquid investments	$ 566	14.5%	$ 318	8.2%	$ 280	6.4%	$ 79	2.5%	$ 345	10.0%
Accounts receivable	1249	32.1	1481	38.0	1055	24.2	780	24.5	1207	35.0
Inventories	1067	27.4	1122	28.8	1228	28.2	1012	31.7	886	25.7
Due from litigation	--		--		640	14.7	--		--	
Due from affiliated companies/other	185	4.7	145	3.7	317	7.2	462	14.5	177	5.1
Total	3067	78.7	3065	78.7	3520	80.7	2333	73.2	2614	75.7
Land	648		648		648		648		648	
Other Fixed Assets at Cost	1831		1786		1750		1715		1653	
Accumulated Depreciation	(1656)		(1613)		(1571)		(1540)		(1490)	
Net Fixed Assets	823	21.1	821	21.1	827	19.0	823	25.8	811	23.5
Other Assets	5	0.2	6	0.2	13	0.3	32	1.0	27	0.8
Total Assets	$3894	100.0	$3893	100.0	$4360	100.0	$3187	100.0	$3452	100.0
Current Liabilities:										
Accounts payable	$1410	36.2	$1357	34.9	$1535	35.2	$ 997	31.3	$ 864	25.0
Deposits	5	0.1	7	0.2	7	0.2	7	0.2	68	2.0
Bank and other notes payable	81	2.1	72	1.8	330	7.6	62	2.0	85	2.5
Accrued expenses/liabilities	147	3.9	177	4.6	60	1.4	44	1.4	44	1.3
Current debt portion	61	1.5	58	1.5	35	0.8	27	0.8	25	0.7
Total	1704	43.8	1672	43.0	1967	45.1	1137	35.7	1086	31.5
Long-Term Liabilities	566	14.6	627	16.1	580	13.3	584	18.3	611	17.7
Shareholder Equity	1621	41.6	1593	40.9	1814	41.6	1466	46.0	1755	50.8
Total Liabilities & Equity	$3899	100.0	$3893	100.0	$4360	100.0	$3187	100.0	$3452	100.0

SOURCE: Company financial statements (unaudited).

ANGELES CHEMICAL CO.

Exhibit C

Selected Ratio Analysis
FY1998-1996

FY 4/30:	1998	1997 (restated)	1996
Liquidity Ratios			
Current (Current Assets divided by Current Liabilities)	1.80	1.83	1.78
Quick (Cash & Accounts Receivable divided by Current Liabilities)	1.07	1.08	1.00
Working Capital ($000)	1363	1393	1553
Sales/Receivables (Sales divided by Accounts Receivable)	9.0	6.0	6.5
Sales/Working Capital (Sales divided by Working Capital)	8.3	7.0	4.4
Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories)	7.6	6.0	4.0
Coverage Ratios			
EBIT/Interest (Earnings before Interest & Tax divided by Interest Expense)	1.9	3.1	8.3
Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Note Payable and Current Debt)	0.52	1.00	1.06
Leverage Ratios			
Debt/Worth (Total Liabilities divided by Net Worth)	1.40	1.44	1.37
Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth)	0.35	0.39	0.32
Operating Ratios			
Total Asset Turnover (Sales divided by Average Total Assets)	2.9	2.4	1.8
Return on Equity (Net Income divided by Average Stockholders' Equity)	1.9%	4.9%	21.1%
Return on Assets (Net Income divided by Average Assets)	0.8%	2.0%	9.3%

SOURCE: Company statements and Bramstedt & Associates.

IV. VALUATION

In arriving at a minority interest fair market value determination for Anchem, Bramstedt & Associates has considered the relevant factors set forth in Revenue Ruling 59-60 with regard to the valuation of closely held companies and in the Department of Labor's (DOL) proposed regulations on "Adequate Consideration" as they relate to the valuation of securities for Employee Stock Ownership Plan purposes. The following comments represent our findings with regard to those specific factors outlined in Revenue Ruling 59-60 and the DOL's proposed regulations on "Adequate Consideration" as they pertain to the valuation of Anchem. The following references to Revenue Ruling 59-60 implicitly include the DOL's proposed regulations.

Book Value

Revenue Ruling 59-60 states that the appraiser should consider book value when valuing a closely held company. Anchem's stated book value was $1,624,191 or $53.84 a share as of April 30, 1998 on 30,166 A and B shares outstanding.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. As stated, however, an adjusted book value approach is being used below.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities. Anchem has recorded a small profit in only two of the past five years.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income and which company has not been profitable.

Normally, earnings reinvested in the growth of a company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

Guideline Companies — Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Bramstedt & Associates has made an exhaustive search for public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded guideline company. Public companies are generally much larger and more diverse both geographically and in business operations.

Cash Flow and Earnings Capacity

Pre-1987 ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation. Available cash flow is pretax income plus ESOP contribution plus depreciation. Depreciation in fiscal years 1994 to 1998 was $49,000, $50,000, $41,000, $42,000 and $43,000. ESOP contributions were $8,000 in fiscal 1994, none in fiscal 1995, $6,500 in fiscal 1996, $19,382 in fiscal 1997 and $29,360 in fiscal 1998. Anchem's earnings and cash flow as just defined for fiscal 1998 to 1994 are shown below:

		Cash Flow	
Period	Net Income (Loss)	Available	After Tax
F1998	$ 31,000	$115,000	$ 75,000
F1997	83,000	164,000	125,000
F1996	347,000	407,000	388,000
F1995	(289,000)	(238,000)	(239,000)
F1994	(54,000)	3,000	(5,000)

Note: Figures have been rounded.

Because of the erosion of the Company's earning and cash generating power, the income methodology is not now being used. The fiscal 1996 profit is entirely from the litigation award and cash flow, which position has been squeezed in fiscal 1998 by the Berg consulting agreement ($48,000 per year) and the Berg ESOP note payments ($21,000 per year).

Valuation Issues — General

Due to insufficient demonstrable sustainable earning power and thin cash flow prospects, Bramstedt & Associates and the appraiser once again must look to the balance sheet (asset approach) for valuation purposes as in fiscal 1994-1997, when we employed an adjusted or modified book value approach.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to utilize adjusted book value in the past several years is based on the factors discussed in this and prior reports and the appraiser's experience and knowledge in deriving equity values of closely held companies. The appraiser is employing an adjusted book value method in fiscal 1998 for Anchem.

Valuation Conclusion

For the April 30, 1997 valuation, the appraiser used an adjusted book value approach wherein the stated book value was marked to market for the estimated fair market value (FMV) of the Company land and the present value of the Berg ESOP repurchase promissory note and consulting agreement. However, as discussed on page 10, the estimated FMV of Company land at April 30, 1998 cannot be reasonably estimated for valuation purposes, so that this overall method is not applied at April 30, 1998. Consequently, the appraiser is capitalizing adjusted book value of $1,624,191 at 75% based on his knowledge and analysis of Anchem and prior years valuation experience with specific reference to recent ESOP FMV to book value ratios listed on page 3.

Capitalizing Angeles Chemical's fiscal 1998 book value of $1,264,191 at 75% produces a (minority interest) fair market value for the equity ownership of Angeles Chemical for ESOP purposes as of April 30, 1998 of $1,215,881 or $40.30 per share (rounded) on 30,166 A and B common shares outstanding.

As of the ESOP plan year which began May 1, 1987, the ESOP Administration Committee set a policy of paying plan participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock to the ESOP in each of five years at the fair market value applicable for each year. The ESOP or the Company has met all (recent) ESOP repurchase obligations by making the required cash installment payments. A marketability discount may still be appropriate and is reflected in the 75% book value capitalization rate.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation. The Berg A and B stock redemption on January 31, 1997 does not meet these criteria.

There have been no such recent qualifying transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Bramstedt & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is $1,215,881 or $40.30 per share as of April 30, 1998 on 30,166 Class A and B shares outstanding. This valuation is based on an adjusted book value approach.

Specific positive factors concerning Anchem were: fiscal 1997 and 1998 sales increases, the first sales upturns in the 1990s; the second recorded operating profit in the 1990s in fiscal 1998; a solid California economy; a major shrinkage in the number of outstanding shares in 1997; and improved financial statement quality in fiscal 1998. Most significant is the now realistic prospect of Anchem working through its environmental compliance requirements to allow it to continue to operate as a chemical processor.

Unfavorable factors were: the overall unfavorable operating environment for small chemical processors in heavily populated urban areas such as Los Angeles with the attendant ongoing compliance costs and issues; the six consecutive years of operating losses prior to fiscal 1997; the substantial immediate costs for underground storage tank and processing system replacement and related clean-up expenses; the consequent debt and operating cost burdens; the absence of any prospective strong intermediate term sales and earnings growth; and the economic impact on aggregate value of the ESOP/Berg stock repurchase financial obligations in fiscal 1997.

This valuation is as of April 30, 1998; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

APPENDIX I

ANGELES CHEMICAL CO., INC.

APRIL 30, 1998 AND APRIL 30, 1997

ANGELES CHEMICAL CO., INC.

INDEX

SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
6055 E. Washington Bl., Suite 500
Los Angeles, CA 90040

September 8, 1998

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

We have reviewed the accompanying balance sheet of Angeles Chemical Co., Inc. as of April 30, 1998 and the related statements of income and retained earnings and cash flow for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Angeles Chemical Co., Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The accompanying April 30, 1997 financial statements were compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the April 30, 1997 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Singer, Traynor & Co.

Singer, Traynor & Co.
Certified Public Accountants

Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1998 and April 30,1997

ASSETS

	Reviewed 1998	Compiled 1997
CURRENT ASSETS		
Cash	566,590.58	318,101.92
Accounts Receivable (Net of Bad Debts Allowances of $5,000.00 and $5,000.00 Respectively) - Note 2	1,249,139.04	1,480,618.61
Inventories (Lower of Cost, FIFO or Market) - Note 1	1,067,475.25	1,121,854.75
Due from Stallion Tank Lines, Inc.	11,029.28	19,715.28
Due from Samson Chemical Co.	12,500.00	-
Prepaid Income Taxes	9,198.00	-
Miscellaneous Receivable	2,983.00	-
Employee Advances	15,570.38	13,987.49
Deferred Charges - Schedule 2	132,524.31	110,870.39
TOTAL CURRENT ASSETS	3,067,009.84	3,065,148.44
FIXED ASSETS (at Cost) - Note 1		
Land	648,000.00	648,000.00
Office Trailers	101,711.00	101,711.00
Trucks & Autos	223,478.00	223,478.00
Tanks & Plant Equipment	863,636.00	844,364.00
Furniture & Fixtures	273,616.00	251,023.00
Plant	368,582.00	365,599.00
TOTAL	2,479,023.00	2,434,175.00
Less: Accumulated Depreciation	1,656,435.00	1,612,710.00
BOOK VALUE	822,588.00	821,465.00
OTHER ASSETS		
Deposits	5,000.00	6,080.00
TOTAL ASSETS	3,894,597.84	3,892,693.44
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	1,409,512.94	1,357,045.72
Accrued Liabilities - Schedule 2	147,845.76	171,172.31
Income Taxes Payable	-	5,983.00
Note Payable - Other	80,804.49	72,548.60
Drum Deposits	5,000.00	7,000.00
Term Debt - Current - Schedule 2	61,242.90	58,497.56
TOTAL CURRENT LIABILITIES	1,704,406.09	1,672,247.19
TERM DEBT -Schedule 2	566,000.24	627,243.14
SHAREHOLDERS' EQUITY		
Common Stock, $0.10 Par Value; 1,000,000 Shares Authorized; 30,166 & 30,166 Shares Issued & Outstanding Respectively	3,016.60	3,016.60
Retained Earning	1,621,174.91	1,590,186.51
TOTAL SHAREHOLDERS' EQUITY	1,624,191.51	1,593,203.11
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	3,894,597.84	3,892,693.44

The accompanying notes are an integral part of these financial statements.

SEE ACCOUNTANT'S REVIEW REPORT.

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1998 and April 30,1997

	Reviewed 1998	%	Compiled 1997	%
SALES	11,260,539.56	100.00	9,759,018.46	100.00
LESS: COST OF SALES	8,060,860.93	71.59	6,752,928.38	69.20
GROSS PROFIT	3,199,678.63	28.41	3,006,090.08	30.80
OPERATING EXPENSES				
Salaries & Wages	709,634.02	6.30	686,068.75	7.03
Compensation Insurance	43,599.79	0.39	44,761.23	0.46
Outside Labor	319,537.04	2.84	333,313.73	3.42
Insurance	246,049.78	2.19	187,263.38	1.92
Truck Expenses	114,409.33	1.02	119,281.23	1.22
Freight	379,299.35	3.37	285,549.12	2.93
Commissions	340,659.92	3.03	304,497.12	3.12
Rent	90,976.00	0.81	83,841.54	0.86
Repairs & Maintenance	127,318.55	1.13	104,520.53	1.07
Plant Expense	44,809.65	0.40	101,182.66	1.04
Tank Testing & Lab Expense	254.49	0.00	1,693.60	0.02
Auto & Travel	33,984.50	0.30	32,702.42	0.34
Bad Debts	14,562.98	0.13	(90.57)	(0.00)
Bank Charge	(212.57)	(0.00)	(528.96)	(0.01)
Telephone & Utilities	52,094.53	0.46	49,955.47	0.51
Depreciation	43,725.00	0.39	41,743.00	0.43
Payroll Taxes	61,781.10	0.55	63,221.10	0.65
Professional Services	119,344.26	1.06	81,988.50	0.84
Taxes & Licenses	49,568.57	0.44	40,562.96	0.42
Business Promotion	30,412.68	0.27	24,277.97	0.25
Office Supplies	28,901.85	0.26	27,233.06	0.28
Computer Expense	35,637.67	0.32	38,187.21	0.39
Advertising	19,382.48	0.17	16,074.77	0.16
Profit Sharing Expense	29,360.00	0.26	18,864.01	0.19
Employee Welfare	9,342.15	0.08	9,801.10	0.10
Dues & Subscriptions	9,763.56	0.09	9,741.95	0.10
Equipment Rental	33,492.50	0.30	39,969.11	0.41
Seminars & Meetings	9,355.87	0.08	7,498.24	0.08
Penalties	10,789.05	0.10	406.03	0.00
Donations	750.00	0.01	1,121.00	0.01
TOTAL OPERATING EXPENSE	3,008,584.10	26.72	2,754,701.26	28.23
OPERATING INCOME	191,094.53	1.70	251,388.82	2.58
OTHER INCOME (EXPENSES) - Schedule 1	(148,579.13)	(1.32)	(148,458.98)	(1.52)
INCOME BEFORE INCOME TAXES	42,515.40	0.38	102,929.84	1.05
Provision for Income Taxes	11,527.00	0.10	19,546.00	0.20
NET INCOME TO RETAINED EARNINGS	30,988.40	0.28	83,383.84	0.85
RETAINED EARNINGS - BEGINNING	1,590,186.51		1,702,540.97	
LESS: SHARES RETIRED	-		(195,738.30)	
RETAINED EARNINGS - ENDING	1,621,174.91		1,590,186.51	

The accompanying notes are an integral part of these financial statements.
SEE ACCOUNTANT'S REVIEW REPORT.

Angeles Chemical Co., Inc.

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1998 and April 30, 1997

	Reviewed 1998	Compiled 1997
OPERATING ACTIVITIES		
Net Income	30,988.40	83,383.84
Adjustments to Reconcile Net to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	-	(25,565.82)
Depreciation	43,725.00	41,743.00
CASH PROVIDED BY OPERATIONS	74,713.40	99,561.02
CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES:		
Decrease (Increase) in Accounts Receivable	231,479.57	(425,416.89)
Decrease in Inventories	54,379.50	106,684.14
(Increase) in Deferred Charges	(21,653.92)	(20,928.10)
(Increase) Decrease in Other Current Assets	(17,577.89)	832,733.72
Decrease in Other Assets	1,080.00	6,786.51
Increase (Decrease) in Accounts Payable	52,467.22	(178,322.87)
Increase (Decrease) in Accrued Liabilities	(23,326.55)	123,560.55
(Decrease) in Customer Deposits	(2,000.00)	-
(Decrease) in Income Tax Payable	(5,983.00)	(6,028.00)
NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES	268,864.93	439,069.06
NET CASH PROVIDED BY OPERATING ACTIVITIES	343,578.33	538,630.08
INVESTING ACTIVITIES		
Distributions from Affiliate	-	25,565.82
Purchase of Property, Plant & Equipment	(44,848.00)	(35,968.00)
NET CASH (USED) BY INVESTING ACTIVITIES	(44,848.00)	(10,402.18)
FINANCING ACTIVITIES		
Retirement of Common Stock	-	(303,852.00)
(Decrease) Increase in Notes Payable	(50,241.67)	(186,331.50)
NET CASH (USED) BY FINANCING ACTIVITIES	(50,241.67)	(490,183.50)
INCREASE IN CASH AND CASH EQUIVALENTS	248,488.66	38,044.40
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	318,101.92	280,057.52
CASH AND CASH EQUIVALENTS - END OF YEAR	566,590.58	318,101.92

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Years Ended April 30, 1998 and April 30, 1997 for:

	1998	1997
Income Taxes	26,863.00	25,611.00
Interest	46,027.74	48,664.16

The accompanying notes are an integral part of these financial statements.
SEE ACCOUNTANT'S REVIEW REPORT.

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1998 and April 30,1997

	Reviewed 1998	%	Compiled 1997	%
Income Split - Samson Chemical Co.	-	0.00	25,565.82	0.26
Terminaling Charges	31,890.87	0.28	25,347.37	0.26
Interest Income	14,598.66	0.13	9,461.91	0.10
Claims Expense	(59,382.27)	(0.53)	(52,616.48)	(0.54)
Compensation Insurance Dividend	-		-	0.00
Contamination Proceeds (Expense)	(98,978.27)	(0.88)	(92,228.82)	(0.95)
Casualty Loss	(2,984.24)	(0.03)	(1,568.00)	(0.02)
Factoring Discount	-	0.00	(13,982.97)	(0.14)
Miscellaneous Income	12,303.86	0.11	226.35	0.00
Miscellaneous Expense	-	0.00	-	0.00
Interest Expense	(46,027.74)	(0.41)	(48,664.16)	(0.50)
NET OTHER (EXPENSE)	(148,579.13)	(1.32)	(148,458.98)	(1.52)

The accompanying notes are an integral part of these financial statements.
SEE ACCOUNTANT'S REVIEW REPORT.

Angeles Chemical Co., Inc.

BALANCE SHEETS SCHEDULES

April 30, 1998 and April 30, 1997

Schedule 2

DEFERRED CHARGES	Reviewed 1998	Compiled 1997
Property Taxes	2,068.00	1,260.00
Insurance	100,058.00	95,030.00
Lease	1,863.51	853.04
Excise Tax - Fuel	-	-
Taxes & Licenses	3,718.00	3,925.00
Employee Benefits	-	661.55
Other	24,816.80	9,140.80
Compensation Insurance	-	-
TOTAL	132,524.31	110,870.39

ACCRUED LIABILITIES	Reviewed 1998	Compiled 1997
Commissions	53,172.56	109,326.16
Compensation Insurance	3,237.77	1,080.98
Sales Taxes	1,720.00	2,790.00
Claim Expense	25,000.00	-
ESOP Contribution	29,360.00	14,364.01
Payroll	20,100.43	18,270.16
Professional Fees	-	6,000.00
Other	15,255.00	19,341.00
TOTAL	147,845.76	171,172.31

TERM DEBT - Note 5	Current	1998 Term	Total
J. Locke	11,307.09	163,044.27	174,351.36
A. Rosenthal	11,307.09	163,044.27	174,351.36
N. Spieler, Trustee	11,307.09	163,044.27	174,351.36
E.S.O.P.	21,000.00	63,852.00	84,852.00
Jaguar Credit Corp.	6,321.63	13,015.43	19,337.06
TOTAL	61,242.90	566,000.24	627,243.14

TERM DEBT - Note 5	Current	1997 Term	Total
J. Locke	10,492.53	174,351.36	184,843.89
A. Rosenthal	10,492.53	174,351.36	184,843.89
N. Spieler, Trustee	10,492.53	174,351.36	184,843.89
E.S.O.P.	21,000.00	84,852.00	105,852.00
Jaguar Credit Corp.	6,019.97	19,337.06	25,357.03
TOTAL	58,497.56	627,243.14	685,740.70

The accompanying notes are an integral part of these financial statements.
SEE ACCOUNTANT'S REVIEW REPORT.

Angeles Chemical Co., Inc.
(a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

Note 1 - Summary of Significant Accounting Policies

General - The Company is a reseller/ distributor of liquid industrial and consumer product chemicals used in coating and other processes.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory - Chemicals (raw materials and finished goods), components and drums are priced at the lower of cost (fifo) or market.

	1997	1996
Finished Products	460,944.92	281,009.65
Raw Materials	358,926.22	597,544.02
Components	237,586.11	233,283.08
Drums	10,018.00	10,018.00
TOTALS	1,067,475.25	1,121,854.75

Property, Plant and Equipment
Property, plant and equipment are depreciated on the straight line, declining balance, ACRS and MACRS methods for financial statement purposes and for tax purposes over the following useful lives:

	Life
Machinery & Equipment	5 - 7 Years
Vehicles	5 Years
Office Equipment	5 - 7 Years
Data Processing Equipment	5 - 7 Years
Leasehold Improvements	31.5 Years

Angeles Chemical Co., Inc.
(a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

An analysis of the depreciable assets and respective accumulated depreciation is as follows:

	Cost	Accumulated Depreciation	Book Value
1997			
Land	648,000.00	0.00	648,000.00
Office Trailers	101,711.00	97,704.00	4,007.00
Trucks and Autos	223,478.00	187,110.00	36,368.00
Tanks and Plant Equipment	863,636.00	802,123.00	61,513.00
Furniture and Fixtures	273,616.00	241,967.00	31,649.00
Plant	368,582.00	327,531.00	41,051.00
TOTALS	2,479,023.00	1,656,435.00	822,588.00

	Cost	Accumulated Depreciation	Book Value
1996			
Land	648,000.00	0.00	648,000.00
Office Trailers	101,711.00	97,022.00	4,689.00
Trucks and Autos	223,478.00	172,668.00	50,810.00
Tanks and Plant Equipment	844,364.00	784,216.00	60,148.00
Furniture and Fixtures	251,023.00	233,778.00	17,245.00
Plant	365,599.00	325,026.00	40,573.00
TOTALS	2,434,175.00	1,612,720.00	821,465.00

Depreciation for financial statement purposes amounted to $43,725.00 and 41,743.00 in 1998 and 1997, respectively.

Costs of maintenance and repairs, including minor betterments, are charged to income as costs are incurred.

Income Taxes

An analysis of the provision for income tax is as follows:

	1997	1996
Federal	$10,273.00	$15,213.00
State	1,254.00	$ 4,333.00
TOTAL	$11,527.00	$19,546.00

Angeles Chemical Co., Inc.
(a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

Note 2 - Accounts Receivable - The aging of accounts receivable are as follows:

	1998	1997
Current	837,407.85	721,484.92
31-60 Days	389,692.42	561,392.12
61-90 Days	26,970.82	139,543.20
Over 90 Days	51,670.14	86,157.97
Cash On Account	(51,602.19)	(22,959.60)
Sub-Total	1,254,139.04	1,485,618.61
Less: Allowance for Doubtful Accounts	(5,000.00)	(5,000.00)
NET ACCOUNTS RECEIVABLE	1,249,139.04	1,480,618.61

Note 3 - Retirement of Stock
As of January 31, 1997 the company purchased and retired all of the common stock ownership interest (20,000 Class A shares) and the ESOP stock (3,899) owned by Robert O. Berg for the sum of $198,000.00 and $105,852.00 respectively.

Note 4 - Commitments & Contingencies
The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of April 30, 1998.

Year Ending April 30,:	
1999	158,710.80
2000	96,657.68
2001	94,948.73
2002	82,505.40
2003	52,497.00
Later Years	180,000.00
TOTAL MINIMUM PAYMENTS	665,319.61

Angeles Chemical Co., Inc.
(a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

Rent expense for financial statement purposes amounted to $90,976.00 and $83,841.54 in the years ended April 30, 1998 and 1997, respectively.

Note 5 - Term Debt
The Company long term debt at April 30, 1998 and April 30, 1997 consists of the following:

	1998	1997
Note Payable- John Locke, the principal shareholder. Monthly Payments of $2,000.00, with interest at 7.50%. Secured by deed of Trust.	174,351.36	184,843.89
Note Payable- Arnold Rosenthal. Monthly Payments of $2,000.00, with interest at 7.50%. Secured by deed of Trust.	174,351.36	184,843.89
Note Payable- Norman M Spieler. Monthly Payments of $2,000.00, with interest at 7.50%. Secured by deed of Trust.	174,351.36	184,843.89
Note Payable- E.S.O.P.. Yearly Payments of $21,000.00, a non interest bearing note.	84,852.00	105,852.00
Note Payable- Jaguar Credit Corp. Monthly Payments of $594.03, with interest at 4.90%.	19,337.06	25,357.03
TOTAL	627,243.14	685,740.70
Less: Current Maturities	61,242.90	58,497.56
TERM DEBT	566,000.24	627,243.14

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Angeles Chemical Co., Inc.
(a C Corporation)

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

As of April 30, 1998 the current maturities of long term debt for the five years ending April 30, were as follows:

1999	64,192.99
2000	66,769.51
2001	64,302.60
2002	45,746.22
2003	49,297.53
Later Years	275,691.39
	566,000.24

Note 6 - Concentration of Credit Risks
The Company maintains its cash in bank deposit accounts at a high quality financial institution. The balances, at times, may exceed federal insured limits. At April 30, 1998 the Company exceeded the limit by approximately $466,590.58.

APPENDIX II

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

Qualifications of
Bramstedt & Associates, Inc.

Eric M. Bramstedt, CFA, has over 35 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. From 1967 to 1977 Mr. Bramstedt was a senior security analyst and officer of three San Francisco based institutional research firms including Sutro & Co. He has prepared over 600 business valuations of closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), buy/sell agreements, marital dissolutions, litigation support, and others. These valuations have covered a broad scope of closely held and public companies including several *Fortune* 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions, structuring and valuation through seventeen years of extensive experience with four leading ESOP design and valuation firms—Sansome Street Appraisers, Inc. (Menke & Associates); Kelso & Co.; Houlihan, Lokey, Howard & Zukin; and Private Capital Corp. This experience includes work for an employee coalition's proposed ESOP buy-out of Eastern Airlines.

Mr. Bramstedt has provided business valuation and financial consulting services to companies in manufacturing, foundry, retail trade, commercial banking, architecture and engineering, technology, distribution/manufacturer's representative, oil and oil service, health care, forest products and building materials, construction and contracting services, newspaper publishing and commercial printing. Mr. Bramstedt is a specialist in transportation, particularly trucking and short-line railroads. Clients have included major domestic and international transportation companies for acquisition, investment banking, ESOP and other applications. He was editor of *Cal-Tips*, an operating and financial study of the California less-than-truckload business.

Mr. Bramstedt is a Chartered Financial Analyst (CFA) and a member of the Institute of Chartered Financial Analysts, the Association for Investment Management and Research and the Transportation Research Forum, and is a charter member and past president of the Valuation Roundtable of San Francisco. He holds a Bachelor's Degree in Economics from Stanford University. Mr. Bramstedt has appeared as an expert witness before the California Public Utilities Commission and in civil court on matters of economic damages.

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

SUPPLEMENT TO LETTER OF UNDERSTANDING

This supplement is made to the Letter of Understanding between Locke and Berg dated January 31, 1997.

1. **At the request of Berg, various documents to effectuate the transfers between Angeles Chemical Co., Inc., and Stallion Tank Lines, Inc., have been prepared and are being executed on a rush basis and are to be signed February 12, 1997.**

2. **Because time pressures have not permitted a thorough review of the past Corporate Board of Directors and Shareholders Minutes, it is recognized that very likely such Minutes will need to be prepared. Berg agrees, on behalf of himself and his wife Donna M. Berg, that he and she will sign upon request any and all documents requested, specifically covering, but not limited to, election of Directors, and approval and ratification of the actions of the Board of Directors and Officers of Angeles and Stallion.**

3. **~~Further, it is~~ the understanding and agreement ~~of the parties that~~ Robert ~~O. Berg and~~ Donna M. Berg, ~~however, only to the~~ extent that John G. Locke ~~and Janyce B. Locke have any~~ personal liability, if any, will also ~~remain personally responsible~~ for environmental costs and expenses, ~~but only for spillage and/or incidents~~ (if any) occuring up to the date ~~of the~~ sale of Berg's interests ~~in Angeles and Stallion~~, which ~~is the~~ effective date of January ~~31, 1997~~.**

Dated February 12, 1997.

John G. Locke
John G. Locke

Robert O. Berg
Robert O. Berg

ANGELES CHEMICAL CO., INC.
8915 SORENSEN AVENUE • P.O. BOX 2163
SANTA FE SPRINGS, CALIFORNIA 90670
(310) 945-3911

1st Business Bank
GATEWAY III BUILDING
SECOND FLOOR
970 WEST 190TH STREET
TORRANCE, CA 90502

16-3844
1220

12161

PAY THE S IM OF 198000 DOLS 00 CTS DOLLARS

TO THE ORDER OF Robert O. Berg

DATE	CHECK NO.	AMOUNT
2/12/97	[redacted]	198,000.00

ANGELES CHEMICAL CO., INC.

⑈012161⑈ ⑆122038442⑆ 020 605030⑈

STALLION TANK LINES, INC.
8915 SORENSEN AVENUE
SANTA FE SPRINGS, CALIFORNIA 90670
PHONE: (213) 945-3914

FIRST INTERSTATE BANK
PICO RIVERA OFFICE
[illegible] E. WASHINGTON BOULEVARD
PICO RIVERA, CALIFORNIA [illegible]

16-21/178
1220

4618

PAY ______________________________ DOLLARS

DATE	CHECK NO.	AMOUNT
2/12/97	[redacted]	1000.00

TO THE ORDER OF ROBERT O. BERG

STALLION TANK LINES, INC.

⑈004618⑈ ⑆122000218⑆1789188870⑈ 11

WELLS FARGO BANK

2583

DATE 2-12-97

PAY TO THE ORDER OF ROBERT BERG $ 1,000 $\frac{00}{XX}$

ONE THOUSAND + NO/100 DOLLARS

JOHN G. LOCKE
20449 RANCHO LOS CERRITOS RD
COVINA, CA 91724

MEMO MAMMOTH CONDO

⑆122000247⑆2583 0913 211959⑈

SPECIAL MEETING OF THE
BOARD OF DIRECTORS AND OF THE SHAREHOLDERS
OF
ANGELES CHEMICAL CO., INC.
A California Corporation
By Consent

Pursuant to the By-Laws of the Corporation and the Corporations Code of the State of California, a Special Meeting of the Board of Directors and of the Shareholders of Angeles Chemical Co, Inc., was held by Consent, and the following actions authorized:

WHEREAS, The Corporation wishes to purchase all of the stock ownership interest which Robert O. Berg has in this corporation, including his ESOP shares of stock, and Mr. Berg, desires to sell all of his ownership interest in the corporation to Angeles Chemical Co., Inc.; and Donna M. Berg, the wife of Robert O. Berg, joins in and consents to said purchase; and

WHEREAS FURTHER, with the consent and agreement of Robert O. Berg and his said spouse, the Board of Directors also desires to enter into a Consulting Agreement with Global Management Co., a California Limited Liability Company,

NOW THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

RESOLVED: that this Corporation be and hereby is authorized to purchase all of the common stock ownership interest, being 200 Class A shares of common stock owned in this corporation, by Robert O. Berg, for the sum of One Hundred Ninety Eight Thousand ($198,000.00) Dollars, which sum is to be paid to Robert O. Berg, in exchange for his duly signed and delivered share certificate for such shares, and the consent of his wife, Donna M. Berg, and their representation and warranty that the said shares of stock have not been heretofore transferred or assigned and are free and clear of all debts, liens, liabilities and encumbrances; and

RESOLVED FURTHER: that as he has reached retirement age, Robert O. Berg and wishes to retire and to commence receiving payment for his ESOP shares of stock in Angeles Chemical Co., Inc. the Corporation, to the extent and as is authorized by and pursuant to applicable law and regulations governing ESOP plans, shall retire Mr. Berg's ESOP shares of stock, upon execution of all required documents, on the basis of equal payments to be made over a period of 5 years, in annual amounts estimated to be $21,000.00 per year, and commencing as of the date of Mr. Berg's retirement date, which has been designated to be the 7th of December, 1996; and

RESOLVED FURTHER, that this Corporation, acting by and through its President, however specifically without the President incurring any personal liability, be and hereby is authorized to enter into a Consulting Agreement for consulting services with Global Management Co., a California Limited Liability Company, calling for payments to be made to said Global Management Co., of $4,000.00 a month, for a period of 10 years, commencing February 15, 1997 and ending January 15, 2006.

DATED: Effective January 30, 1997.

John G. Locke, Director

Robert O. Berg, Director

Approval of Shareholders

I, Robert O. Berg, acting as a member of the Board of Directors, and also holding the position of an officer of the Corporation, and, in spite of the fact that I am a Director and Officer of this Corporation, and also at the same time a person with whom the Board of Directors and the Corporation is to contract with, personally and on behalf of myself, my spouse and family, hereby approve and request the approval by the Board of Directors, and Angeles Chemical Co., Inc., of the above referred to actions approved by Resolution of the Board of Directors and Corporation..

Robert O. Berg

SPECIAL MEETING OF THE BOARD OF DIRECTORS
AND OF THE SHAREHOLDERS
OF
STALLION TANK LINES, INC.
A California Corporation
By Consent

Pursuant to the By-Laws of the Corporation and the Corporations Code of the State of California, a Special Meeting of the Board of Directors and of the Shareholders of Stallion Tank Lines, Inc., was held by Consent, and the following actions authorized:

WHEREAS, The Corporation wishes to purchase all of the stock ownership interest which Robert O. Berg has in this corporation, and Mr. Berg desires to sell all of his ownership interest in the corporation, to Stallion Tank Lines., Inc.; and Donna M. Berg, the wife of Robert O. Berg, joins in and consents to said purchase; and

NOW THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

RESOLVED: that this Corporation be and hereby is authorized to purchase all of the common stock ownership of Robert O. Berg, for the sum of One Thousand ($1,000.00) Dollars, which sum is to be paid to Robert O. Berg, in exchange for his duly signed and delivered share certificate for such shares, and the consent of his wife, Donna M. Berg, thereto, and their representation and warranty that the said shares of stock have not been heretofore transferred or assigned and are free and clear of all debts, liens liabilities and encumbrances.

DATED: Effective January 30, 1997.

John G. Locke, Director

Robert O. Berg, Director

Approval of Shareholders

I, Robert O. Berg, acting as a member of the Board of Directors, and also holding the position of an officer of the Corporation, and, in spite of the fact that I am a Director and Officer of this Corporation, and also at the same time a person with whom the Board of Directors and the Corporation is to contract with, personally and on behalf of myself, my spouse and family, hereby approve and request the approval by the Board of Directors, and Stallion Tank Lines., Inc., of the above referred to actions approved by Resolution of the Board of Directors and Corporation.

Robert O. Berg

SALE OF STOCK, REPRESENTATION AND WARRANTY AGREEMENT AND SPOUSAL CONSENT

We, Robert O. Berg and Donna M. Berg, husband and wife, hereby sell, transfer and convey the common stock share ownership interest of Robert O. Berg in Angeles Chemical Co., Inc., to said company, specifically including, but not limited to, 200 Class A Shares of Common Stock, for good and valuable consideration, including payment made to Robert O. Berg, of the sum of One Hundred Ninety Eight Thousand ($198,000.00) Dollars, and we join in the retirement of Robert O. Berg's ESOP shares of stock in Angeles Chemical Co., Inc., as referred to in the Special Minutes of the Board of Directors of said corporation, dated January 30th, 1997.

We further hereby represent and warrant that the said shares of stock have not heretofore been transferred or assigned and such shares are free and clear of all debts, liens, liabilities and encumbrances.

Executed effective this 31st day of January, 1997.

Robert O. Berg

Donna M. Berg

SPOUSAL CONSENT

I, Donna M. Berg, certify that I am the wife of Robert O. Berg, and that I have read this Agreement and know its contents, and I have further read and know the contents of the Special Minutes of the Board of Directors of Angeles Chemical Co., Inc., dated January 30, 1997, as well as the Consulting Agreement entered into by the Board of Directors of Angeles Chemical Co., Inc. and Global Management Company referred to in said corporate minutes. I understand that my husband, Robert O. Berg, is required to sell his said shares in Angeles Chemical Co., Inc to said company, including my community property interest therein, and further that my said husband is to resign as a Director and Officer of the company as of the 31st of January, 1997.

I hereby consent to the terms of the said Agreements and to my community property interest in the shares of the Corporation, agreeing that payment(s) may be made directly to my husband, Robert O. Berg.

Donna M. Berg

TOTAL P.03

FEB-12-1997 11:16 DONNA BERG 805 239 0492 P.01

BR001780

SALE OF STOCK, REPRESENTATION AND WARRANTY AGREEMENT AND SPOUSAL CONSENT

We, Robert O. Berg and Donna M. Berg, husband and wife, hereby sell, transfer and convey the common stock share ownership interest of Robert O. Berg in Stallion Tank Lines, Inc., for good and valuable consideration, and payment made to Robert O. Berg, of the sum of One Thousand ($1000.00) Dollars.

We further hereby represent and warrant that the said shares of stock have not heretofore been transferred or assigned and such shares are free and clear of all debts, liens, liabilities and encumbrances.

Executed effective this 31st day of January, 1997.

Robert O. Berg

Donna M. Berg

SPOUSAL CONSENT

I, Donna M. Berg, certify that I am the wife of Robert O. Berg, and that I have read this Agreement and know its contents.

I understand that my husband, Robert O. Berg, is required to sell his said shares in Stallion Tank Lines, Inc to said company, including my community property interest therein, and further that my said husband is to resign as a Director and Officer of the company as of the 31st of January, 1997.

I hereby consent to the terms of the said Agreements and to my community property interest in the shares of the Corporation, agreeing that payment may be made directly to my husband, Robert O. Berg.

Donna M. Berg

TO: THE BOARD OF DIRECTORS
ANGELES CHEMICAL CO., INC.

Gentlemen:

Please be advised that as a part of the sale of all of my interest in and stock ownership interest of Angeles Chemical Co., Inc., I hereby resign as a Director and Officer of this corporation.

Effective: January 31, 1997

Robert O. Berg

TO: THE BOARD OF DIRECTORS
STALLION TANK LINES, INC.

Gentlemen:

Please be advised that as a part of the sale of all of my interest in and stock ownership interest of Stallion Tank Lines, Inc., I hereby resign as a Director and Officer of this corporation.

Effective: January 31, 1997

Robert O. Berg

BUSINESS CONSULTANT AND MANAGEMENT AGREEMENT

THIS AGREEMENT is entered into by and between ANGELES CHEMICAL CO., INC., a California Corporation, (hereinafter sometimes referred to as the "Company") and Global Management, A California Limited Liability Company, (hereinafter sometimes referred to as the "Consultant") and is made with reference to the following facts;

RECITALS AND AGREEMENTS

A. Company is a California corporation, in good standing with the Department of Corporations of and for the State of California, authorized to transact and transacting business in the County of Los Angeles, located at 8915 Sorensen Ave, Santa Fe Springs, California.

B. Consultant is a California Limited Liability Company located at 3150 E. Pico Blvd., City of Los Angeles, County of Los Angeles, State of California.

C. Company desires to engage the services of Consultant to perform for the Company certain functions in the management and operation of the Company's business activities, and to consult with the Board of Directors and Officers of the Company concerning the promotion, development and sale of products, goods and various by-products manufactured and/or distributed by the Company as well as other problems arising in the course of the Company's business activities.

D. Consultant desires to consult with Board of Directors and the Officers of the Company and to undertake, for the Company, the direction of certain functions in the management and operation of the Company's business activities.

PROMISES, COVENANTS AND AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, agreements and covenants contained herein, and other good and valuable consideration, each party hereto covenants and agrees with the other party hereto as follows:

1. <u>Acknowledgment of Recitals</u>

1.1 The parties hereto each acknowledge and agree that they have each read and understand the Recitals and Agreements contained herein above at Section A through D, inclusive, of this agreement and each of the parties warrants, covenants and agrees that each, every and all of the Recitals contained herein above is true and correct and incorporates the same herein, hereat verbatim.

2. <u>Term of Agreement</u>

2.1 This Agreement shall commence February 1, 1997 and, unless terminated sooner under the provisions of this Agreement, continue for a term of Ten (10) consecutive years.

3. <u>Duties of Consultant</u>

3.1 Consultant shall act as a general advisor and consultant to the Board of Directors and the Officers of the Company concerning matters pertaining to the promotion, development and sale of products, goods and various by products manufactured and/or distributed by the Company as well as other problems arising in the course of the Company's business activities and Consultant shall devote such time and efforts as may be required to accomplish the same.

3.2 It is expressly understood that Consultant shall be and hereby is considered and independent contractor and as such shall not be responsible for the executive direction of the Company and shall not be required to follow a regular daily and/or weekly work schedule.

3.3 Consultant shall render services and shall be available for consultation with the Board of Directors and Officers of the Company, at reasonable times, with respect to matters pertaining to the Company's business activities as well as problems of importance concerning the business affairs of the Company. Consultant shall be available to consult with the Board of Directors and/or the Officers of the Company, at reasonable times, either through telephonic communication or at the principal offices of the Company, if reasonably required to properly perform the duties and obligations of the Consultant pursuant to this Agreement. Notwithstanding any provision contained in this Agreement to the contrary, Consultant shall only be required to devote such tine as may be reasonably necessary to properly perform the duties and obligations imposed under this Agreement and during the term of this Agreement Consultant may represent, perform services for and be employed by any additional persons or entities for and be employed by and additional person or entities as the Consultant may, from time to time, determine.

3.4 The services of the Consultant may be changed from time to time by mutual consent of the Consultant and the Company, without resulting in a rescission of the Agreement.

3.5 At all times during the term of this Agreement, Consultant shall use his best efforts and good faith in the performance of the services reasonably required to accomplish the purpose and intent of this Agreement.

4. <u>Duties of Company</u>

4.1 With regards to the services to be performed by the Consultant pursuant to the terms of this Agreement, the Company shall have the sole discretion determining expenditures reasonably necessary in order to properly perform the duties and obligations required of the Consultant and any expenses incurred shall be borne solely by Company at its sole cost and expense. Provided, however, upon prior written approval of Company, Company agrees to reimburse Consultant from time to time, for all reasonable business expenses incurred by Consultant in performance of his services.

4.2 Throughout the term of this Agreement, Company shall use its best efforts and good faith to accomplish the purpose and intent of this Agreement.

5. <u>Engaging in Other Activities</u>

5.1 Consultant, during the term of the Agreement, shall devote only such time, ability and attention to the business of the Company as is reasonably necessary for the satisfactory performance of the duties imposed under this Agreement and may engage in consulting with other Companies.

6. <u>Payment of Compensation</u>

6.1 In consideration of and as compensation for the services rendered and to be rendered by Consultant pursuant to this Agreement, Company agrees to pay Consultant a total compensation of Four Hundred Eighty Thousand Dollars ($480,000.00), as herein below provided.

6.2 Consultant shall be entitled to receive and the Company agrees to pay Consultant total compensation of Four Hundred Eighty Thousand Dollars ($480,000.00) in monthly installments of Four Thousand ($4,000.00) Dollars payable beginning February 15, 1997 and the 15th of each month thereafter for one hundred and twenty months, with the last payment due on January 15, 2006.

7. Termination of Agreement

7.1 This Agreement shall terminate immediately upon the first to occur of any one of the following events:

(a) The occurrence of circumstances that make it impossible and/or impractical for the continued business operations of the Company.

(b) Breach of any of the terms and/or default in performance of the obligations of the Company under this Agreement.

© The written mutual agreement of the parties hereto.

7.2 In the event of termination of this Agreement by operation of and pursuant to the provisions of either, or both, Section 7.1 (a) and/or (b), then, and in that event, the balance of the Four Hundred Eighty Thousand Dollars ($480,000.00) of the total compensation shall become immediately due and payable.

(a) Consultant shall serve Company, in writing, with notice of the acts constituting termination of this Agreement pursuant to the provisions of either, or both, sections 7.1 (a) and/or (b) and the balance of the total compensation due in accordance with this Agreement.

(b) Company warrants, covenants and agrees to pay the entire amount of the outstanding balance of the total compensation due hereunder on or before twenty one (21) days following service of notice by Consultant.

8. **Status of Parties**

8.1 Consultant is not to be considered as an employee, partner of joint venturer with Company for any purposes whatsoever, but is deemed to be an independent contractor and business consultant for Company. Consultant does not have, nor shall it hold itself as having any right, power of authority to create any contract or obligation, either express or implied, on behalf or in the name of, or binding upon Company.

9. **Limited Liability**

9.1 Consultant shall not be liable to the Company or to any third party who may claim any right arising out of his relationship with the Company, for any acts or omissions in the performance of the service by Consultant or on the part of the agent or employees of the Company, except when said acts or omissions are due to his wilful misconduct. Company shall indemnify and hold Consultant harmless from and against any obligations, costs, claims, judgments, cause or causes of action, including, but not limited to, attorney's fees and costs in connection with or arising out of the services rendered to the Company pursuant to the Agreement.

10. **Further Assurances**

10.1 Without any further consideration, Company and Consultant acknowledge and agree, on reasonable demand, to execute, acknowledge and deliver, from time to time, whatever additional instruments and/or documents which may be required to accomplish the intent and purpose of this Agreement.

11. **Benefit and Burden**

11.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, personal representative, successors and assigns.

12. **Waivers**

12.1 No waiver of any breach or default under this Agreement shall be deemed a waiver of any subsequent breach of the same or similar nature.

13. **Severability**

13.1 If any provision herein contained is held to be invalid, void or illegal by any Court of competent jurisdiction, the same shall be deemed severable from the remainder of the Agreement and shall in no way affect, impair or invalidate the remaining provisions herein contained. If any provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent of the scope or breadth permitted by law.

14. <u>Captions</u>

14.1 Captions and/or titles contained herein are inserted as a matter of convenience and for reference purposes only and in no way define, limit, extend or describe the scope of the Agreement or any provision hereof.

15. <u>Interpretation</u>

15.1 No provision of the Agreement is to be interpreted for or against either party because that party or that party's legal representative drafted such provision. The validity, construction and all rights and obligations relating to this Agreement shall be governed by the laws of the State of California in effect as of the date of this Agreement.

16. <u>Effective Date and Finality of Agreement</u>

16.1 This agreement may be executed in two or more counter parts, each of which shall be an original, but all of which shall constitute one and the same instrument.

16.2 This Agreement sets forth the entire agreement between the parties with respect to the subject matter hereof. all agreements, covenants, representations or warranties, express or implied, with regard to the subject matter hereof, are contained herein, in the exhibits hereto and the documents referred to herein or implementing the provisions thereof. All prior and/or contemporaneous conversations, negotiations, alleged agreements and representations, with respect to the subject matter hereof are waived, merged herein and superseded hereby.

17. <u>Notices</u>

17.1 Any notice, demand or request required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed effective twenty-four (24) hours after having been deposited in the United States mail, postage prepaid, registered or certified and addressed as follows:

To Company:

ANGELES CHEMICAL CO. INC.
8915 Sorensen Ave.
Santa Fe Springs, California 90670

To Consultant:

GLOBAL MGMT.
3150 E. Pico Blvd
Los Angeles, California 90023

17.2 Either party may change its address for purposes of this Agreement by written notice given in accordance with the provisions of this Paragraph 17.

18. Agreement Authorized

Company and Consultant agree that this agreement has been duly authorized, as applicable, by the Board of Directors and all necessary corporate or other Officers and Executives of the Company and Global Management. Upon being executed by Consultant, this agreement is valid and binding on the Company, and enforceable against the Company in accordance with the terms and conditions hereof.

19. Attorneys Fees and Costs.

19.1 If either party shall hereafter employ legal counsel to prosecute, defend, enforce or otherwise seek any relief relating to this Agreement, the prevailing party in such action and/or proceeding, in addition to any and all other available remedies, shall be entitled to reasonable attorney's fees and costs incurred as a result thereof.

20. No Personal Liability.

20.1 In signing this Agreement, whether as the President of Angeles Chemical Co., Inc., and/or as a Director of said Company, John G. Locke, II, does not personally obligate himself to fulfill the obligations to be performed hereunder by Angeles Chemical Co., Inc. and no personal obligation shall be deemed to be imposed upon him for the obligations undertaken hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year herein below set forth.

DATED: Effective February 1, 1997

ANGELES CHEMICAL CO., INC.,

By John G. Locke II

John G. Locke, II
President

GLOBAL MANAGEMENT CO.

By Robert O. Berg

Robert O. Berg
Executive Officer

(corporate seal)

SALE AND TRANSFER AGREEMENT

For good and valuable consideration and payment to Robert O. Berg of the sum of One Thousand Dollars, we, Robert O. Berg and Donna M. Berg, hereby sell, transfer, convey and assign to John G. Locke and Janyce B. Locke, husband and wife, all of our right, title and interest in that certain real property, including furniture, furnishing and personal effects therein, which we have not elected to take with us, commonly known as Mountain Back Condominium, Parcel number 1, being an undivided 1/44th interest in and to Lot 1 of Tract No. 36-102A, Mountainback Phase I, in the County of Mono, at Mammoth Lakes, California.

This Sale and Transfer Agreement supplements a Quit-Claim deed given by us, dated February 4, 1997.

It is agreed by John G. Locke and Janyce B. Locke that they shall indemnify us and hold us harmless from any and all liability connected with the balance due on the mortgage and/or trust deed against said property.

Dated effective: February 4, 1997.

Robert O. Berg

Donna M. Berg

John G. Locke, II

Janyce B. Locke

BR001792

BUSINESS CONSULTANT AND MANAGEMENT AGREEMENT

THIS AGREEMENT is entered into by and between ANGELES CHEMICAL COMPANY, INC., a California Corporation, (hereinafter sometimes referred to as the "Company") and Global Management, A California Limited Liability Company, (hereinafter sometimes referred to as the "Consultant") and is made with reference to the following facts:

RECITALS AND AGREEMENTS

A. Company is a California corporation, in good standing with the Department of Corporation of and for the State of California, authorized to transact and transacting business in the County of Los Angeles, located at 8915 Sorensen Ave, Santa Fe Springs, California.

B. Consultant is a California Limited Liability Company located at 3150 E. Pico Blvd., City of Los Angeles, County of Los Angeles, State of California.

C. Company desires to engage the services of Consultant to perform for the Company certain functions in the management and operation of the Company's business activities, and to consult with the Board of Directors and Officers of the Company concerning the promotion, development and sale of products, goods and various by-products manufactured and/or distributed by the Company as well as other problems arising in the course of the Company's business activities.

D. Consultant desires to consult with the Board of Directors and the officers of the Company and to undertake, for the Company, the direction of certain functions in the management and operation of the Companys business activities..

PROMISES, COVENANTS AND AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, agreements and covenants contained herein, and other good and valuable consideration, each party hereto covenants and agrees with the other party hereto as follows:

1. Acknowledgment of Recitals

1.1 The parties hereto each acknowledge and agree that they have each read and understand the Recitals and Agreements contained hereinabove at Section A through D, inclusive, of this agreement and each of the parties warrants, convenants and agrees that each, every and all of the Recitals contained hereinabove is true and correct and incorporates the same herein, hereat verbatim.

2. Term of Agreement

2.1 This Agreement shall commence February 1, 1997 and, unless terminated sooner under the provisions of this Agreement, continue for a term of Ten (10) consecutive years.

3. Duties of Consultant

3.1 Consultant shall act as a general advisor and consultant to the Board of Directors and the officers of the Company concerning matters pertaining to the promotion, development and sale of products, goods and various by-products manufactured and/or distributed by the Company as well as other problems arising in the course of the Company's business activities and Consultant shall devote such time and efforts as may be required to accomplish the same.

3.2 It is expressly understood that Consultant shall be and hereby is considered an independent contractor and as such shall not be responsible for the executive direction of the Company and shall not be required to follow a regular daily and/or weekly work schedule.

3.3 Consultant shall render services and shall be available for consultation with the Board of Directors and officers of the Company, at reasonable times, with respect to matters pertaining to the Company's business activities as well as problems of importance concerning the business affairs of the Company. Consultant shall be available to consult with the Board of Directors and/or the officers of the Company, at reasonable times, either through telephonic communication or at the principal offices of the Company, if reasonably required to properly perform the duties and obligations of the Consultant pursuant to this Agreement. Notwithstanding any provision contained in this Agreement to the contrary, Consultant shall only be required to devote such time as may be reasonably necessary to properly perform the duties and obligations imposed under this Agreement and during the term of this Agreement Consultant may represent, perform services for and be employed by any additional persons or entities for and be employed by and additional persons or entities as the Consultant may, from time to time, determine.

3.4 The services of the Consultant may be changed from time to time by mutual consent of the Consultant and the Company, without resulting in a rescission of the Agreement.

3.5 At all times during the term of this Agreement, Consultant shall use his best efforts and good faith in the performance of the services reasonably required to accomplish the purpose and intent of this Agreement.

4. Duties of Company

4.1 With regard to the services to be performed by the Consultant pursuant to the terms of this Agreement, the Company shall have sole discretion determining expenditures reasonably necessary in order to properly perform the duties and obligations required of the Consultant and any expenses incurred shall be borne solely by Company at its sole cost and expense. Provided, however, upon prior written approval of Company. Company agrees to reimburse Consultant from time to time, for all reasonable business expenses incurred by Consultant in performance of his services.

4.2 Throughout the term of this Agreement, Company shall use its best efforts and good faith to accomplish the purpose and intent of this Agreement.

5. Engaging in Other Activities

5.1 Consultant, during the term of the Agreement, shall devote only such time, ability and attention to the business of the Company as is reasonably necessary for the satisfactory performance of the duties imposed under this Agreement and may engage in consulting with other Companies.

6. Payment of Compensation

6.1 Inconsideration of and as compensation for the services rendered and to be rendered by Consultant pursuant to this Agreement, Company agrees to pay Consultant total compensation of Four Hundred Eighty Thousand Dollars ($480,000.00)

6.2 Consultant shall be entitled to receive and the Company agrees to pay Consultant total compensation of Four Hundred Eighty Thousand Dollars ($480,000.00) in monthly installments of Four Thousand Dollars ($4,000.00) payable beginning February 15, 1997 and the 15th of each month thereafter for one hundred and twenty months, last payment due on January 15, 2006.

7. Termination of Agreement

7.1 This Agreement shall terminate immediately upon the first to occur of any one of the following events:

(a) The occurrence of circumstances that make it impossible and/or impractical for the continued business operations of the Company;

(b) Breach of any of the terms and/or default in performance of the obligations of the Company under this Agreement.

(c) The written mutual agreement of the parties hereto.

7.2 In the event of termination of this Agreement by operation of and pursuant to the provisions of either, or both, Section 7.1 (a) and/or (b), then, and in that event, the balance of the Four Hundred Eighty Thousand Dollars ($480,000.00) of the total compensation shall become immediately due and payable.

(a) Consultant shall serve Company, in writing, with notice of the acts constituting termination of this Agreement pursuant to the provisions of either, or both, Sections 7.1 (a) and/or (b) and the balance of the total compensation due in accordance with this Agreement

(b) Company warrants, covenants and agrees to pay the entire amount of the outstanding balance of the total compensation due hereunder on or before twenty-one (21) days following service of notice by Consultant.

8. Status of Parties

8.1 Consultant is not to be considered as an employee, partner or joint venturer with Company for any purposes whatsoever, but is deemed to be an independent contractor and business consultant for Company. Consultant does not have, nor shall it hold itself as having any right, power or authority to create any contract or obligation, either express or implied, on behalf or in the name of, or binding upon, Company.

9. Limited Liability

9.1 Consultant shall not be liable to the Company or to any third party who may claim any right arising out of his relationship with the Company, for any acts or omissions in the performance of the service by Consultant or on the part of the agent or employees of the Company, except when said acts or omissions are due to his wilful misconduct. Company shall indemnify and hold Consultant harmless from and against any obligations, costs, claims, judgments, cause or causes of action, including, but not limited to, attorney's fees and costs in connection with or arising out of the services rendered to the Company pursuant to the Agreement.

10. Further Assurances

10.1 Without any further consideration, Company and Consultant acknowledge and agree, on reasonable demand, to execute, acknowledge and deliver, from time to time, whatever additional instruments and/or documents which may be required to accomplish the intent and purpose of this Agreement.

11. Benefit and Burden

11.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, personal representatives, successors and assigns.

12. Waivers

12.1 No waiver of any breach or default under this Agreement shall be deemed a waiver of any subsequent breach of the same or similar nature.

13. Severability

13.1 If any provision herein contained is held to be invalid, void or illegal by any Court of competent jurisdiction, the same shall be deemed severable from the remainder of the Agreement and shall in no way affect, impair or invalidate the remaining provisions herein contained. If any provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent of the scope or breadth permitted by law.

14. Captions

14.1 Captions and/or titles contained herein are inserted as a matter of convenience and for reference purposes only and in no way define, limit, extend or describe the scope of the Agreement or any provision hereof.

15. Interpretation

15.1 No provision of the Agreement is to be interpreted for or against either party because that party or that party's legal representative drafted such provision. The validity, construction and all rights and obligations relating to this Agreement shall be governed by the laws of the State of California in effect as of the date of this Agreement.

16. Effective Date and Finality of Agreement

16.1 This agreement may be executed in two or more counter-parts, each of which shall be an original, but all of which shall constitute one in the same instrument.

16.2 This Agreement sets forth the entire agreement between the parties with respect to the subject matter hereof. All agreements, covenants, representations or warranties, express or implied, with regard to the subject matter hereof, are contained herein, in the exhibits hereto and the documents referred to herein or implementing the provisions thereof. All prior and/or contemporaneous conversations, negotiations, alleged agreements and representations, with respect to the subject matter hereof are waived, merged herein and superseded hereby.

17. Notices

17.1 Any notice, demand or request required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed effective twenty-four (24) hours after having been deposited in the United States mail. postage prepaid, registered or certified and addressed as follows:

To Company:

ANGELES CHEMICAL CO, INC.
8915 Sorensen Ave.
Santa Fe Springs, California 90670

To Consultant:

GLOBAL MGMT.
3150 E. Pico Blvd.
Los Angeles, California 90023

17.2 Either party may change his or its address for purposes of this Agreement by written notice given in accordance with the provisions of this Paragraph 17.

18. Agreement Authorized

This agreement has been duly authored by all necessary corporate officers of the Company. Upon being executed by Consultant, this Agreement is valid and binding on the Company and enforceable against the Company in accordance with the terms and conditions hereof.

19. Attorney's Fees and Costs

19.1 If either party shall hereafter employ legal counsel to prosecute, defend, enforce or otherwise seek any relief relating to this Agreement, the prevailing party in such action and/or proceeding, in addition to any and all other available remedies, shall be entitled to reasonable attorney's fees and costs incurred as a result thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year hereinbelow set forth.

DATED January 31, 1997

Sandra S. Okonmah
GLOBAL MANAGEMENT CO.

DATED January 31, 1997

ANGELES CHEMICAL COMPANY, INC.
A California Corporation

By John G. Locke
John G. Locke, President

(corporate seal)